
The country-specific recommendations (CSRs) in the social field

An overview and comparison Update including the CSRs 2018-2019

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Stefan Clauwaert

Background analysis 2018.01

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europaan trade union institute

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Contents

Introduction.....	5
CSRs 2018 versus CSRs 2011-2017.....	11
Conclusions.....	18
References.....	20
Annex 1: Country-by-country overview of the 'social CSRs' 2018-2019.....	23
Annex 2: The social CSRs 2011-2017 EU-wide by year.....	72
Annex 3: Country-specific recommendations (CSRs) in the social field under the European Semester cycles 2016, 2017 and 2018.....	79
Annex 4: Country-specific recommendations (CSRs) in the social field under the European Semester 2018 – Commission versus Council versions.....	107

Introduction

On 23 May 2018, the European Commission presented its proposals for new country-specific recommendations (CSRs) for 2018-2019.¹ Following meetings and debates within several Committees (the Economic and Financial Committee (EFC), the Employment Committee (EMCO), the Social Protection Committee (SPC) and the Economic Policy Committee (EPC)) as well as with other stakeholders, including European and national social partners,² amendments were introduced. The recommendations were then approved by the EPSCO Council on 21 June (regarding the employment and social aspects) and the ECOFIN Council on 22 June (regarding the economic/financial and Macroeconomic Imbalance Procedure (MIP)-related aspects³). They were subsequently endorsed by the European Council on 28-29 June⁴ and legally adopted by the ECOFIN Council on 13 July 2018.⁵

1. These CSRs are available at: https://ec.europa.eu/info/publications/2018-european-semester-country-specific-recommendations-commission-recommendations_en.
2. The Commission's CSR proposals were for instance discussed with the European social partners at a joint meeting with the Employment Committee (EMCO) and the Social Protection Committee (SPC) on 30 May 2018. For the Committees' assessment of the 2018 CSRs and of the implementation of the 2017 CSRs, as well as a summary of the comments made by the European social partners at that meeting, see Council of the European Union (2018a).
3. The Macroeconomic Imbalance Procedure (MIP), introduced in 2011, aims to identify, address and prevent the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular EU country, the euro area, or the EU as a whole. Under the MIP, when a country is found to have an excessive imbalance it is subject to a form of enhanced monitoring known as the Excessive Imbalance Procedure (EIP). In addition to this increased monitoring, countries in the euro area can also face sanctions. More information on the MIP can be found at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/macro-economic-imbalance-procedure/dealing-macro-economic-imbalance_en. The results of the MIP surveillance for 2017 can be found at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/macro-economic-imbalance-procedure/mip-surveillance-2017_en.
4. Furthermore, the conclusions of this meeting contain a rather telling sentence which states that 'The European Council endorses the integrated country-specific recommendations (...) The current good economic situation should be used for strengthening the reform momentum' (European Council 2018; underlined by the author).
5. The final adopted CSRs can be found at: <http://www.consilium.europa.eu/en/press/press-releases/2018/07/13/2018-country-specific-recommendations-on-economic-employment-and-fiscal-policies/>.

While this is the eighth set of CSRs under the European Semester system since its launch in 2011⁶, it is the first set since the solemn proclamation of the European Pillar of Social Rights (EPSR) in November 2017.⁷

At the launch of the first proposals of the EPSR in April 2017, the Commission made it clear that the European Semester, and in particular the CSRs, would be one of the main vehicles for implementing the 20 principles enshrined in the EPSR.⁸ In order to track the progress made in this implementation, it has developed something called the Social Scoreboard, which maps out indicators over 12 economic and social areas.⁹ While it is clear that the use of the Social Scoreboard has allowed the Commission to identify several critical situations in the broader social field in the Country Reports,¹⁰ this is not necessarily reflected in the proposed/adopted Commission/Council recommendations as had been hoped.¹¹ This is supported by an interesting analysis by the ETUC. Because the EPSR and the Social Scoreboard allowed for the identification of ‘critical situations’ and potential ‘social’ CSRs, the ETUC, for the first time, encouraged its affiliates to put forward proposals for ‘social’ CSRs based on this identification. ETUC affiliates in 11 countries submitted a total of 30 social CSRs, of which two thirds referred to critical situations identified in the Country Reports and the remaining one third referred to social emergencies not detected in these Country Reports. About 50% of the trade union proposals appear in one way or another in the CSRs.¹² On the one hand, this confirms that the EPSR and Social Scoreboard can be used to make the European Semester more social, but on the other hand there is certainly room for improvement where the analysis can be better aligned with the actual social needs of each country.¹³

6. It is therefore to be welcomed that in a Presidency note for a policy debate between ministers at the EPSCO Council on 21 June 2018, it is noted that while, now eighty years old, ‘the European Semester has become a routine exercise’, ‘the essential objective of the Semester remains to achieve impact on the ground’ and that ‘the implementation rate still falls below expectations’ (Council of the European Union (2018b)).
7. European Parliament e.a. (2017).
8. For more details on the implementation of the Pillar via the Semester, see European Commission (2018f).
9. For some critical commentary on the content and methodology of the Social Scoreboard, see amongst others ETUC (2017b), ETUC (2018a) and ETUI (2017).
10. In these Country Reports, the Commission reviews, firstly, the economic and social developments in and challenges and opportunities for the Member States; secondly, the Member States’ progress on the implementation of the country-specific recommendations over the years (from a multi-annual perspective); and thirdly, the progress made towards the Europe 2020 targets. For a summary and comparative analysis of the main findings in the 2018 Country Reports, see Commission (2018a). The national Country Reports for the 2018 European Semester can be found at: https://ec.europa.eu/info/publications/2018-european-semester-country-reports_en.
11. In fact, for the 2018 CSRs, the Commission admits that there is no ‘strict correspondence between the proposed CSRs and challenges identified according to the indicators in the Social Scoreboard. The assessment of each situation is country specific and based on a number of analytical sources – not only the Social Scoreboard, but also other tools like the Joint Assessment Framework, the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM).’ (European Commission (2018e)).
12. The percentage increases to 80% if ‘recitals’ are also taken into consideration.
13. ETUC (2018d).

This year, a total of 73 of what could be called ‘package’ recommendations (as they often contain several sub-recommendations) were delivered to 27 Member States (all except Greece)¹⁴ concerning the fields of public finance, financial sector regulation and structural reforms in areas such as research and development and energy efficiency, but also concerning employment and social policies, such as active labour market policies (ALMPs), employment protection legislation, social security and assistance systems/benefits, and collective bargaining and wage-setting mechanisms.

Although the fundamentals have remained the same (i.e. moving towards economic convergence, attacking public deficits, introducing structural reforms, etc.), Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, declared that ‘this year’s recommendations have an even greater than ever focus on employment, education and social issues’, demonstrating ‘the Commission’s determination to deliver on the implementation of the European Pillar of Social Rights’.¹⁵

While it is clear that there are still many challenges involved in mitigating the (negative) consequences of the crisis and related austerity measures in the social field, the Commission decided to focus the 2018 CSRs on three particular challenges to be addressed by Member States in 2018-2019: 1) ensuring the provision of adequate skills (basic, labour market-relevant and digital skills); 2) ensuring the effectiveness and adequacy of social safety nets; and, new for this year, 3) improving social dialogue and the involvement of social partners in policy design and legislative processes at national level.¹⁶

In this sense most of the 2018 CSRs are to be welcomed, but, as will be highlighted in this analysis, in several fields that are crucial for the trade union movement, like (higher) wages, reducing precarious employment and more of both private and public investment, they only partially meet the expectations that were created following the adoption of the EPSR.

This paper provides an overview of the CSRs in the field of employment and social policies and an update of previous similar ETUI research.¹⁷ As in previous years, the different reforms and measures requested in the CSRs have been grouped together, for the purposes of this analysis, into the following eight categories (which are then further subdivided into some particular measures and recurring issues): 1) wages (including wage indexation and the reform of

14. Since the start of the European Semester process in 2011, Member States under a financial assistance programme receive a single recommendation enjoining them to prioritise the implementation of this programme, agreed upon with the EU and IMF. This was the case for Greece, Ireland, Latvia, Portugal and Romania in 2011; for Greece, Ireland, and Portugal in 2012; for Cyprus, Greece, Ireland and Portugal in 2013; and for Cyprus and Greece in 2014 and 2015. In 2016 and 2017, however, only Greece received such a recommendation.

15. European Commission (2018b).

16. European Commission (2018b and d).

17. For similar previous ETUI research see Clauwaert (2013a and b, 2014, 2015, 2016 and 2017). All other ETUI research looking at the reforms that took place in the past ten years in the different Member States in the areas of labour markets, pensions and strikes can be found in the ETUI’s new online web information service ‘Reforms Watch’ (<https://www.etui.org/ReformsWatch>).

wage-setting systems); 2) employment protection legislation (EPL);¹⁸ 3) labour market participation (and that of different groups of workers, for example women and older workers); 4) youth employment (including the Youth Guarantee, facilitating the transition from education to work, reducing early school-leaving, etc.); 5) pensions (including general pension reforms and reform of the (early) retirement age); 6) social protection/assistance (including demands for better coverage and better quality social security and assistance systems/benefits); 7) child poverty (including more child support and more and better childcare facilities); and 8) ‘tax’ (mainly consisting of a request to shift the tax burden away from labour, or ‘broadening the tax base’ as the Commission calls it).¹⁹

Table 1 **Categories and measures**

Categories	Measures
Wages	Reviewing wage indexation
	Reviewing wage-setting system – align with productivity developments
EPL	Adjusting employment protection legislation
Labour market participation	Enhancing participation of women
	Enhancing participation of older workers, promoting active ageing, LLL
	Reducing tax disincentives for second earners
Youth employment	Youth (guarantee)
	Facilitating transition from education/school to work (incl. by giving companies incentives to hire young people)
	Facilitating transition from education/school to work through apprenticeships and work-based learning
	Reducing school/education ‘drop-outs’
Pensions	Explicit link between pensionable age and life expectancy
	Reducing early retirement
	Pension reform
Social protection/assistance	Ensuring the adequacy and coverage of social protection systems
	Access to quality social services
	Better targeting of social assistance
Child poverty	Making child support more effective
	Facilitating access to childcare services
Tax	Shift away from labour, with a focus on low income earners

18. For this paper, the acronym ‘EPL’ is used, as commonly used by economists, to refer to the entire set of regulations that place some limits on the possibilities of firms to hire and fire workers, even if such limits are not grounded primarily in the law but rather originate from the collective bargaining of the social partners or are a consequence of court rulings. Provisions favouring the employment of disadvantaged groups in society, determining the conditions for the use of temporary or fixed-term contracts or imposing training requirements on the firm, in particular, affect hiring policies; while redundancy procedures, mandated pre-notification periods and severance payments, special requirements for collective dismissals and short-term work schemes influence firing decisions.

19. However, given the sometimes slightly different language and/or content of certain recommendations over the years, the categories and measures mentioned above are sometimes altered and/or extended (see, for example, Clauwaert (2015), p. 4, footnote 7). For this year (2018), no serious alterations to the classification were considered necessary.

This paper provides a brief ‘statistical’ comparison between the CSRs issued in 2018-2019 and those adopted by the European Council in the period from 2011 to 2017. Furthermore, Annex 1 contains a country-by-country overview of the actual texts of the ‘social recommendations’ received by Member States and of their clarifying recitals. Annex 2 provides an overview in table format of the social CSRs adopted over the period 2011 to 2017. As in previous years, Annex 3 provides a comparison between the texts of the social recommendations over the 2016-2018 period by country.²⁰ Finally, Annex 4 provides a comparison between the social CSR texts for 2018-2019, as proposed by the European Commission on 23 May 2018 and finally adopted by the Council in July 2018.²¹

20. As in previous years, and mainly for practical and ‘readability’ reasons, the tables in Annex 3 have been limited to the CSRs of 2016-2018. Readers who would like to consult the texts of comparable earlier recommendations from 2011 to 2015 are advised to consult Annex 3 of Clauwaert (2015) and (2016).

21. This cycle a surprisingly low number of changes were introduced in the CSRs addressed to the following five countries: Denmark, Ireland, Hungary, Portugal and Spain. In fact, only in one case (Spain) was a change introduced regarding a social CSR (see European Parliament 2018). In comparison to this, five social CSRs (to five countries) were changed in 2017, 10 social CSRs (to 10 countries) in 2016 and 11 social CSRs (to 9 countries) in 2015 (see Clauwaert (2015), (2016) and (2017)).

CSRs 2018 versus CSRs 2011-2017

In 2018, a total of 73 of what could be called ‘package’ recommendations were adopted with regard to 27 EU Member States (all except Greece).²² This constitutes a (further) slight nominal decrease compared to last year when 78 recommendations were adopted (also with regard to 27 Member States). To recap, the situation in earlier years was as follows: 89 recommendations in 2016; 102 recommendations in 2015; 157 recommendations (concerning 26 Member States) in 2014; 141 recommendations (concerning 23 Member States) in 2013; 137 recommendations (also concerning 23 Member States) in 2012; and 117 recommendations (concerning 22 Member States; see Table 2) in 2011.

Despite the Commission’s approach to opt for ‘a greater than ever’ social focus, out of the 73 package recommendations, 46 could be considered recommendations concerning the ‘social field’, meaning no change in the status quo regarding the nominal number of social recommendations compared to last year. This also represents the lowest nominal figure of social CSRs since the start of the European Semester process.²³

On the other hand, when calculated percentage-wise (i.e. comparing the social versus the total number of recommendations), it is clear that the social field remains a main focus for the Commission under the European Semester, as it has been, more or less, since its inception. Indeed, this year, no less than 63% of the recommendations are to be situated in or contain an element related to the social field, this being the highest percentage since the start of the European Semester (see Table 2 and Clauwaert (2017)). Of note is that, as in the three previous years, two countries (Denmark and Sweden)²⁴ received no social recommendation. While last year three countries (Austria, Czech Republic and Latvia) managed a ‘full score’ (i.e. meaning that all recommendations they received related, at least partially, to the social field), this year four countries managed to do so, namely the Czech Republic, France, Germany and Latvia.

²². See also footnote 7.

²³. See Table 2 and Clauwaert (2017). The respective numbers of social recommendations since 2011, as calculated by the ETUI, are: 54 (2011), 61 (2012), 57 (2013), 74 (2014), 51 (2015), 48 (2016) and 46 (2017).

²⁴. Of note, however, is that in the explanatory paragraphs to the recommendations, Denmark was reminded that, firstly, measures to better include marginalised and disadvantaged groups (in particular young people with low levels of educational attainment, people with reduced work capacity and disabilities and people with a migrant background) should be considered, and secondly, that the integration of children with a migrant background in the education system also remains a key challenge. Similarly, Sweden was reminded in the recitals to its recommendations that integrating people with a migrant background, especially women, into the labour market remains a challenge and also that the lack of available and affordable housing can limit labour market mobility and the effective integration of migrants in the labour market (see sections on Denmark and Sweden in Annex 1).

As in previous years, the Commission continued to employ a more succinct language (and number of words) in formulating its recommendations.²⁵ Therefore, much of the more detailed text has been shifted to and even concealed in the explanations/recitals. This also implies that once again these explanatory recitals touch upon issues not covered by the actual recommendation issued to the country, entailing some warnings or ‘implicit’ recommendations on reforms in certain (social) fields that the concerned country should consider, introduce and/or continue.

This is also why, unlike in Table 2 where the calculations are based mainly on the formal language of the CSRs (i.e. the extent to which reference is made to social aspects), Tables 3, 4 and 5 also reflect, as in previous years, the analysis of the accompanying explanations/recitals which, as mentioned above, comprise a number of ‘hidden’ recommendations in specific areas.

Table 3 gives an overview of the evolution over the period 2014-2018 of the number of recommendations per (sub)category.²⁶ The focus on employment and social performance/issues means that, with a few exceptions, the overall figures in our classification remained stable in almost every (sub)category.²⁷ The figures for 2018 seem to confirm some of the trends already identified over previous years and highlight the need for further reforms/measures, such as: 1) ensuring increased labour market participation of older, female, migrant and younger workers; 2) in the area of pensions (mainly in view of ensuring the (financial) sustainability of pension schemes, but also by recommending the increase of the pensionable age and reducing the possibilities for early retirement); and 3) in the area of social protection/assistance to reduce the rates of people at risk of poverty and social exclusion by increasing the impact of social transfers, reducing income inequality and enhancing the inclusiveness and effectiveness of social protection schemes.

Important areas (at least for the trade unions) which this year received fewer recommendations include wages and wage-setting. This is very likely to be because over the years (and repeated recommendations received by the concerned Member States), many Member States have adapted their wage-setting systems in line with the recommendations. Also of note is that after three years without recommendations relating to the indexation of wages, this year one country, France, did receive such a recommendation, although it

25. See Clauwaert (2015, 2016 and 2017). As in previous years, the Commission clarified that the reason why some countries have more detailed recommendations is that ‘the level of detail and specificity of an individual country-specific recommendation depends on the specific economic situation of the country concerned. In general, Member States which face more urgent and/or encompassing challenges, such as, for example, those experiencing excessive imbalances receive more detailed and comprehensive recommendations than other Member States. For Member States where economic performance is overall satisfactory and challenges are more specific, the recommendations are less comprehensive and detailed.’ (European Commission (2018e)).

26. The table only provides figures from the last five Semester cycles; for figures from the 2011-2013 cycles, see Clauwaert (2017).

27. Our classification does not correspond to the classification used by the Commission in its ‘overview of policy areas covered in the CSRs 2018’ (see Appendix 1 to European Commission (2018c)). This explains the occasionally different figures between the tables.

particularly concerned the need to review the indexation system of minimum wages.²⁸ A second important area with fewer recommendations this year is the area of employment protection legislation (EPL), but where several of these recommendations are this year not necessarily about flexibilising labour law but rather ensuring a reduced use of atypical contracts and increasing hiring on open-ended contracts (e.g. France, the Netherlands, Poland, Portugal and Spain), which is of course to be welcomed.²⁹

The fact that the Commission is asking Member States, as one of the three main challenges to address in 2018-2019, to invest in up- and re-skilling people in relation to basic, labour market-relevant and digital skills, may not be so well reflected in Table 2, as the figures for ‘youth employment’, for instance, remained more or less stable and those for ‘school-to-work transitions’ even dropped. However, it is to be noted that a large majority of countries received recommendations on this issue and that, for instance, no fewer than nine countries received explicit or hidden recommendations to improve the access and quality of vocational education and training and/or to ensure greater participation in them by all persons (irrespective of age).^{30 31}

Also not reflected in Tables 2 to 5 is the priority set by the Commission on improving social dialogue and social partner involvement in policy design and legislative processes, which could be considered a further, welcome step in the implementation of Principle 8 of the EPSR on improving social dialogue and the involvement of workers.³² Seven countries have been asked to work on this, and for Hungary, Poland and Romania improving social dialogue/social partner involvement is even explicitly included in one of their recommendations. The other countries which are called upon to improve their weak social dialogue/social partnerships are Bulgaria, Croatia, Estonia and Lithuania.

28. In this sense, the CSRs 2018 do not really meet the expectations and demands of the ETUC which had called for recommendations that would support wage rises and/or allow wages to contribute to growth in several countries, like Belgium, Cyprus, the Czech Republic, Finland, Germany, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the UK. (ETUC 2017a)

29. These recommendations do go a little further in meeting the ETUC’s expectations and demands for more recommendations discouraging precarious employment in general (Cyprus, Italy and Poland) or in particular by reducing temporary contracts (Germany, the Netherlands and Spain), reducing part-time work on very low wages (France and Germany) and dealing with the issue of too few and intermittent working hours (Ireland and UK).

30. Belgium, Cyprus, Denmark, Finland, France, Italy, Latvia, Lithuania and the Slovak Republic.

31. The general focus on improving access to and the quality of education and training is, for instance, also welcomed by the ETUCE. (ETUCE 2018a and b)

32. In a way this is also a (positive) response to the manifold problems and weaknesses regarding the social partners’ involvement in the whole Semester process (but in particular in relation to the implementation of the CSRs) as identified by Eurofound in its report for the EU Employment Committee (EMCO). Next to institutional obstacles, the report also highlights, based on a critical self-assessment of the social partners, various internal weaknesses both on the trade union side (for example, lack of financial, material and human resources, declining membership, low and/or lack of (in particular sectoral) collective bargaining) and the employers’ side (for example, fragmentation of associations and chambers and uneven representation at sectoral and territorial level). (Eurofound 2018)

Table 2 Overview of the number of CSRs 2018-2019 per country compared to the 'social' CSRs of the previous cycles 2014-2017

Country	2014-2015		2015-2016		2016-2017		2017-2018		2018-2019	
	Total	Social	Total	Social	Total	Social	Total	Social	Total	Social
AT	5	2	4	2	3	2	2	2	2	2
BE	6	4	4	4	3	2	3	2	3	2
BG	6	4	5	2	4	3	4	3	3	2
CY	-	-	-	-	5	2	5	2	5	3
CZ	7	4	4	1	3	1	2	2	2	2
DE	4	2	3	1	3	1	2	1	2	2
DK	3	1	2	0	2	0	1	0	1	0
EE	5	3	3	2	2	1	2	1	2	1
EL	-	-	-	-	-	-	-	-	-	-
ES	8	5	4	1	4	2	3	1	3	1
FI	5	2	4	2	3	2	3	2	3	2
FR	7	6	6	4	5	3	4	3	3	3
HR	8	3	6	2	5	2	5	3	4	3
HU	7	3	5	3	3	2	3	2	3	2
IE	7	2	4	2	3	1	3	1	3	2
IT	8	3	6	2	5	2	4	3	4	2
LT	6	3	3	3	3	2	3	2	3	2
LU	5	3	3	3	2	1	2	1	2	1
LV	5	3	4	3	3	3	3	3	3	3
MT	5	2	4	2	2	2	2	1	2	1
NL	4	2	3	1	3	2	2	1	2	1
PL	6	2	4	2	3	1	3	1	3	2
PT	8	4	5	3	5	3	4	2	3	2
RO	8	4	4	2	4	2	3	3	3	2
SE	4	1	1	0	1	0	1	0	1	0
SI	8	2	4	2	4	3	3	2	2	1
SK	6	2	4	1	3	2	3	1	3	1
UK	6	2	3	1	3	1	3	1	3	1
	157	74	102	51	89	48	78	46	73	46
	47.13%		50%		53.93%		60,53%		63.01%	

Note: The table only provides figures from the past five Semester cycles; for the figures from the 2011-2013 cycles, see Clauwaert (2017).

Source: Country-specific recommendations; ETUI calculations.

Table 3 Evolution of the number of social CSRs from 2014-2018³³

		CSRs 2014-2015	CSRs 2015-2016	CSRs 2016-2017	CSRs 2017-2018	CSRs 2018-2019
Wages	Reviewing wage indexation	3	0	0	0	1
	Wage-setting mechanisms	11	11	12	14	9
	Subtotal	14	11	12	14	10
EPL	Employment protection legislation	8	4	8	7	5
Labour market participation	Women	7	11	7	8	8
	Older workers	10	8	4	8	5
	Tax disincentives second / low income earners	8	7	5	6	7
	Subtotal	25	26	16	22	20
Youth employment	Youth guarantee	8	15	7	8	7
	Transition school-work via companies	6	11	7	5	0
	Apprenticeships/ work-based learning	15	5	4	2	5
	"Drop outs"	3	6	6	6	9
	Subtotal	32	37	24	21	21
Pensions	Link between pensionable age and life expectancy	11	4	5	8	8
	Reducing early retirement	7	4	5	2	5
	Pension reform	-	14	13	13	16
	Subtotal	18	22	23	23	29
Social protection/ assistance	Social protection systems	9	7	3	8	3
	Quality social services	3	2	5	5	4
	Targeting social assistance	10	10	4	8	12
	Subtotal	22	19	12	21	19
Child poverty	Effective child support	3	1	1	1	2
	Childcare facilities	9	9	7	9	10
	Subtotal	12	10	8	10	12
Tax	Shift tax burden away from labour	9	14	14	6	9
Total n° specific social CSRs		140	143	117	124	124

Note: The table only provides figures from the past five Semester cycles; for the figures from the 2011-2013 cycles, see Clauwaert (2017).

Source: ETUI own calculation.

³³. The table only provides figures from the past five Semester cycles; for the figures from the 2011-2013 cycles, see Clauwaert (2017).

Tables 4 and 5 show which recommendations have been assigned to which countries. Again, there are some differences in the figures owing to the fact that our classification does not correspond to the classification used by the Commission in its ‘overview of policy areas covered in the CSRs of 2018’.³⁴ In addition, and as mentioned above, due to the fact that the Commission continues its approach of prioritising and slimming down the text of the CSRs, it was all the more necessary to also read the related recitals, as these frequently entail far more ‘hidden recommendations’. These may make the figures/information contained in Tables 3-5 look somewhat more distorted in comparison with the figures/information relating to previous years and the figures provided by the Commission.

Table 4 Social CSRs 2018-2019 – issue-based overview

		Countries
Wages	Reviewing wage indexation	FR (indexation minimum wage)
	Reviewing wage-setting system -align with productivity developments ²⁷	BG, CY (public), EE ²⁵ , FI, FR, HR (public), IT, NL, RO
EPL	Adjusting Employment Protection Legislation	ES, FR, NL, PL, PT
Labour market participation	Enhancing participation of women	AT, CZ, DE, EE, HR, IT, MT, PL, SK
	Enhancing participation older workers, promoting active ageing, LLL	BE, DE, LU, PL, SI
	Reducing tax disincentives for second/ low income earners	AT, BE, DE, HU, IT, LT, LV
Youth employment	Youth employment / guarantee	AT, BG, CY, ES, FI, FR, IT
	Facilitating transition education / school to work	
	Apprenticeships / work-based learning	FR, HR, LT, LV, UK
Pensions	Reducing school/education “drop outs”	CY, DE, ES, HU, IT, MT, PT, RO, SK
	Explicit link between pensionable age and life expectancy	AT, CZ, HR, LU, MT, PL, RO, SI
	Reducing early retirement	AT, HR, LU, MT, SI
Social protection/ assistance	Pension reform	AT, BE, CZ, DE, FR, HR, IE, IT, LT, LU, LV, MT, NL, PL, PT, SI
	Ensuring the adequacy and coverage of social protection systems	BG, HR, UK
	(Access to) quality social services	EE, ES, FI, IT
Child poverty	Better targeting social assistance	BG, EE, ES, FI, HR, HU, LT, LV, PT, RO, SK, UK
	Making child support more effective	ES, IT
Tax	Access to and quality of childcare services	AT, CZ, DE, HR, HU, IE, IT, PL, SK, UK
	Shift away from tax on labour (incl. attention for low income earners)	AT, BE, DE, FR, HU, IE, IT, LT, LV

Source: Country-specific recommendations 2018-2019; EL did not get specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements). ETUI own classifications / calculations.

³⁴ Appendix 1 to European Commission (2018c).

³⁵ See also the section ‘Labour market participation – Women’ in the same table and the respective country sections in Annex 1. While Austria, the Czech Republic, Germany and the

Table 5 Social CSRs 2018-2019 – EU-wide overview²⁶

		AT	BE	BG	CZ	CY	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation											•																
	Reviewing wage-setting system -align with productivity developments	•	•	•	•				•		•	•	•					•	•				•	•				
EPL	Adjusting Employment Protection Legislation		•		•		•			•		•										•	•	•				
Labour market participation	Enhancing participation of women	•			•		•		•							•								•			•	
	Enhancing participation older workers, promoting active ageing, LLL		•				•												•				•				•	
	Reducing tax disincentives for second/ low income earners	•	•				•							•		•	•		•									
Youth employment	Youth employment / guarantee	•		•		•				•	•	•					•											
	Facilitating transition education / school to work																											
	Apprenticeships / work-based learning											•	•				•		•									•
	Reducing school/education "drop outs"	•				•				•					•		•				•			•	•			•
Pensions	Explicit link between pensionable age and life expectancy	•			•								•					•		•		•		•		•		
	Reducing early retirement	•											•					•		•						•		
	Pension reform	•	•		•		•					•	•		•	•	•	•	•	•	•	•	•	•		•		
Social protection/ assistance	Ensuring the adequacy and coverage of social protection systems			•								•																•
	(Access to) quality social services								•	•	•					•												
	Better targeting social assistance			•					•	•	•		•	•		•		•					•	•			•	
Child poverty	Making child support more effective									•						•												
	Access to and quality of childcare services	•			•		•						•	•	•	•							•				•	•
Tax	Shift away from tax on labour (incl. attention for low income earners)	•	•				•				•			•	•	•	•		•									

Source: Country-specific recommendations 2018-2019; EL did not receive specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements); ETUI own classifications / calculations.

Slovak Republic are criticised for their high gender pay gaps, only Estonia received (once again) a specific and explicit recommendation on this issue.
36. Similar tables on the social CSRs for 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017 and 2017-2018 can be found in Annex 2.

Conclusions

In line with its commitment to implement the European Pillar of Social Rights, it is clear from both the figures and the content of this year's country-specific recommendations that the Commission has once again taken a step in the right direction and is moving towards a more social European Semester. The recommendations issued (even if only 'hidden' in the explanatory recitals) to address the three main challenges for this cycle (i.e. improving skills, ensuring more effective and adequate social safety nets, and enhancing social dialogue and social partner involvement, including in the legislative processes) are certainly to be welcomed.

Of course, this year's recommendations still have some weaknesses and even show some gaps as highlighted by, amongst others, the European Trade Union Confederation (ETUC)³⁷ and the European Trade Union Committee for Education (ETUCE).³⁸ Recommendations for higher wage growth should not just be addressed to Germany and the Netherlands but become a general EU-wide recommendation. Rather than recommending to closely monitor and/or better frame minimum wage setting/indexation (and thus to keep minimum wages under control), recommendations should call for increasing (statutory) minimum wages. With the exception of a few countries, the 2018 CSRs also seem to again have the tendency to promote private investment while simultaneously reducing the space for public investment.

The latter criticisms were already expressed last year by the organisations mentioned above, which shows that the Commission has not been able to completely 'turn the page' and make the 'next chapter [of the Semester] social'.³⁹ The EPSR, in particular via its implementation through the Semester and CSRs, has certainly not yet become the 'game changer' it is expected to be.

However, a small yet important step has been taken; or, to use the language of the Commission when evaluating the progress made in implementing (past) CSRs, 'limited progress' is better than 'no progress'.

37. ETUC (2018a and b).

38. ETUCE (2018 a and b).

39. See the speech by Commissioner Thyssen at the launch of the 2017 CSRs in May 2017. (European Commission 2017)

It is thus hoped that the Commission will continue in the same direction in the coming cycles, as the European Pillar of Social Rights and its implementation via the Semester, along with much-needed legislative initiatives in the social field,⁴⁰ may indeed bear fruit and help to improve workers' and citizens' social rights across Europe. As pointed out in the Presidency policy debate note, while the Semester might have become a 'routine exercise', 'its essential objective remains to achieve impact on the ground', and this is particularly true for the social field.⁴¹

40. For an overview of the different (potential) legislative initiatives launched to implement the Pillar, see Clauwaert (2018).

41. European Council (2018b).

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Annex 1

Country-by-country overview of the 'social CSRs' 2018-2019

Introductory note

An overview of the 2018 social CSRs is provided below on a country-by-country basis. Each of the boxes contains the text of the CSR followed by a quotation from the relevant (parts of the) recitals in the Council documents, providing more clarification on the reasons for and context around the proposed CSR. Where relevant, other (parts of the) recitals of the Council Recommendations which relate to the social field but which do not correspond to a clear social CSR are also incorporated under the subsection 'other relevant information'

In each of the texts and boxes below an overview is also provided of all (substantial) modifications introduced by the Council. The text **marked in grey** or ~~stricken out~~ has been, respectively, added/changed or deleted in the Council text compared with the text of the recommendations/recitals proposed by the Commission in May 2018.

Austria

(2 out of 2; pension reform, (early) retirement age, female workers (incl. childcare), shift tax burden (low income earners), skills young persons and migrants)⁴²

1. (...) **Ensure the sustainability of the health and long-term care and the pension systems**, including by **increasing the statutory retirement age and by restricting early retirement**. Make **public services** more efficient, including through aligning financing and spending responsibilities.

(10) According to the 2018 Ageing Report, the projected increase in **pension**, health care and long-term care expenditures points to a medium risk to fiscal sustainability in the medium and long term. Austria's public expenditure on pensions is above the Union average (13.8 % compared to 11.2 % of GDP in 2016) and expected to increase further by 2070 (0.5 % compared to -0.2 % of GDP). ~~Although~~ Recent reforms have successfully provided incentives to retire later. ~~However~~, without an increase in the statutory retirement age, the further accumulation of benefit entitlements during the extended working lifetime does not improve long-term sustainability. At 60, **the statutory retirement age of women is among the lowest in the Union**. The statutory retirement

⁴². This « X out of Y » indicates the number of « social CSRs out of the total number of CSRs received by the country this year » (See also table 1 on page 7). For the convenience of the reader, some keywords are added reflecting the main (social) fields the concerned CSRs are relating to.

age of women will only gradually adjust as of 2024, achieving harmonisation with the male statutory retirement age only as of 2033. **Overall, increasing the statutory retirement age and restricting early retirement would contribute to pension sustainability** in an ageing demographic context.

2. **Reduce the tax wedge**, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth. **Improve labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background.** (...)

(13) Despite the 2016 tax reform, the **tax burden on labour remains high and is set to gradually increase over time** if tax brackets are not indexed to inflation. Higher income earners saw a relatively large benefit from the reform compared to lower income earners, and the **tax burden for low-income earners remains high**. The tax reform also benefited men more than women. Sources of revenue deemed less detrimental to growth, such as recurrent property taxes, appear to be underutilised, mainly because of a largely outdated tax base. Revenues from recurrent property taxes in Austria are low, amounting to 0.2 % of GDP compared to the Union average of 1.6 % of GDP in 2016. Shifting the tax burden from labour to less detrimental sources of revenue could help address this problem.

(14) The **labour market performs well, however challenges for specific groups (e.g. women and people with a migrant background) remain**. Despite an overall high employment rate for women, labour market outcomes in terms of full-time employment remain rather poor. The rate of female part-time employment (age 20-64), at 47.9 % in 2017, remains one of the highest in the Union (Union average: 31.4 31.1 %). The **issues related to access to formal childcare**, including notably outside the urban area, contribute to this outcome. The high share of women in part-time work, which is largely the result of women performing important unpaid tasks such as caring for children and relatives, as well as lower hourly earnings, contribute to a **persistently high gender pay gap**. The latter has a direct impact on women's accumulation of pension rights, **resulting in a large pension gap**.

(15) **Learning outcomes for disadvantaged students have not improved**. A wide performance gap remains between **students with and without a migrant background**. National testing in 2016 confirmed that **more than 25 %** around one-quarter out of 8th pupils do not or only partially meet educational standards in German **lack basic skills in German**. Recent international testing also confirmed a widening gap in reading for those from a lower socioeconomic or migrant background. Comparing the 2012 and 2015 results of the Programme for International Student Assessment (PISA), the proportion of low achievers increased in all three core areas surveyed, i.e. mathematics, reading and science. Austrian-born pupils outperform first generation migrants by a level equivalent to almost three years of schooling.

Other relevant information

(7) The Stability Programme indicates that the budgetary impact of the exceptional inflow of refugees and security-related measures is significant and provides adequate evidence of the scope and nature of these additional budgetary costs. According to the Commission, the eligible additional expenditure in 2017 amounted to 0.03 % of GDP for the exceptional **inflow of refugees** while no further cost was incurred for security-related measures. The provisions set out in Articles 5(1) and 6(3) of Regulation (EC) No 1466/97 cater for this additional expenditure, in that the inflow of refugees as well as the severity of the terrorist threat are unusual events, their impact on Austria's public finances is significant and sustainability would not be compromised by allowing for a temporary deviation from the adjustment path towards the medium-term budgetary objective. Therefore, the required adjustment towards the medium-term budgetary objective for 2017 has been reduced to take into account additional refugee-related costs.

(8) On 11 July 2017, the Council recommended Austria to ensure that the deviation from the medium-term budgetary objective in 2018 is limited to the allowance linked to the budgetary impact of the exceptional **inflow of refugees** and security-related measures. This is consistent with a maximum nominal growth rate of net primary government expenditure of 3.3 % in 2018, corresponding to an allowed deterioration in the structural balance by 0.2 % of GDP. Taking into account the granted allowances, the Commission 2018 spring forecast points to a risk of some deviation from that requirement in 2018 and over 2017 and 2018 taken together.

Belgium

(2 out of 3; ALMPs (low-skilled, older workers, migrants), vocational training, pension reform, shift tax burden (low income earners/ second earners))

1. (...) Pursue the envisaged pension reforms and contain the projected increase in long-term care expenditure. (...)

(11) Sustainability of public finances remains a challenge. The pension reforms enacted in 2015 were a significant step to address risks related to the long-term of ageing, yet the 2018 Ageing Report points to larger than previously expected increase in age-related long-term expenditure for both pensions and long-term care. **Pension expenditure is projected to increase** by 2.9 percentage points of GDP in 2070, compared with an increase of 1.3 percentage points in ~~the previous update~~ 2060 and a decrease of 0.1 percentage points of GDP on average for the euro area in the previous update. In this respect the full implementation of the government's reform roadmap could contribute to address those risks. (...)

2. Remove disincentives to work and **strengthen the effectiveness of active labour market policies**, in particular for the **low-skilled, people with a migrant background and older workers**. Pursue the **education and training reforms**, including by fostering equity and increasing the proportion of graduates in science, technology, engineering and mathematics.

(16) Recent economic growth has been job-rich. Employment growth was robust in 2017 and the unemployment rate is now close to pre-crisis level. Nevertheless, with regards to the employment rate of the population aged 20 to 64 (68.1 68.5 % in 2017) Belgium is not on track to achieving its Europe 2020 target of 73.2 %. **Limited progress has been made on the participation in the labour market of disadvantaged groups, as inactivity and unemployment are largely concentrated among the low-skilled, people with a migrant background and older workers**, suggesting that both structural and group specific factors hinder integration in the labour market. In particular, people with a migrant background, which are a large share in the working-age population, continue to face unfavourable labour market outcomes and thus represent a significant untapped labour market potential. In 2016, the employment rate of non-EU born was 49.1 %, which is more than 20 percentage points lower than for native born (the gap was even more pronounced for women). Activation measures could help people from disadvantaged backgrounds, but there is some evidence that those activation measures are not equally effective for all population groups. **While some measures have been taken to help new arrivals integrate and to tackle discrimination, there is still a lack of coordination across policy domains and political levels** to address the challenge of integrating people with a migrant background in the labour market. Strong regional disparities in labour market performance persist.

(17) In spite of efforts to reduce the **tax wedge on labour**, disincentives to work remain high for some groups, such as single households earning the average wage and second earners. Despite previous measures the tax wedge for a single household earning the average wage remained among the Union's highest in 2016. **The unemployment trap for low wage earners (67 % of the average wage for a single household) is also one the Union's highest. High tax disincentives for second earners – mainly women – remain.**

(18) The vacancy rate is among the highest in the Union indicating major skills mismatches related to, among other factors, low mobility and especially in the bilingual Brussels region, inadequate language skills in the Brussels region. **Participation in life-long learning is low.** More commitments by individuals and employers to continuous life-long learning is important to enable people to handle employment transitions.

(19) **Some progress** has been made as regards equal opportunities **to participate in quality education and vocational training** as the Flemish and the French-speaking Communities are phasing in school reforms. However, despite good average performance in international comparison, longstanding high educational inequalities remain. Educational outcomes of 15 year-old

pupils show significant variation linked to the socio-economic background and migrant status. The performance differences between communities as well as the underrepresentation of disadvantaged groups among top achievers in science, reading and mathematics are raising concerns. Wide performance gaps between schools go hand-in-hand with unequal educational opportunities. ~~Although~~ The proportion of tertiary education graduates is high, inequalities in access to quality education, skills shortages and regional disparities are seen. The proportion of graduates in science, technology and mathematics is one of the lowest in the Union and shortages in these fields could become a major barrier to growth and innovation. **Teachers' shortages are raising concerns**, yet teacher training reforms progress slowly. There is a need to adapt teachers' continuous professional development. Both the Flemish and the French-speaking Communities have embarked on major reforms of their education systems. Their implementation is planned over the next decade and beyond. However, at the end of 2017, Flanders took the decision ~~was taken~~ to postpone the entry into force of key measures of these reforms by one year. The impact of the reforms and measures will very much depend on their effective implementation and monitoring.

Other relevant information

(24) In spite of recent reforms, the **Belgian tax system remains complex**. The reform of the corporate income tax will lower statutory rates and contribute to simplifying the system. Nevertheless, **many exemptions and distortionary incentives remain**, as the rising trend in the total amount of tax breaks shows. **The opportunity to shift taxes to more growth friendly bases could be further used**. Revenues from environment related taxes are still among the lowest in the Union. Indeed, there is considerable potential for a genuine 'green' tax shift dealing inter alia with the favourable treatment of company cars, which contribute to air pollution, congestion and greenhouse gas emissions.

Bulgaria

(2 out of 3; undeclared work, ALMPs (amongst others young persons), (adequacy of) social protection/assistance, minimum wage setting, role of social dialogue, public sector reform)

1. Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of **the informal economy**. Upgrade the State-owned enterprise corporate governance framework in line with international good practices..

(3) (...) There are also measures to reinforce tax collection and **tackle the shadow economy**, to improve the targeting of active labour market policies, to **increase social protection** and to address various challenges in the healthcare and education sectors. Overall, the effective implementation of the National Reform Programme would underpin the correction of imbalances.

(9) **Levels of undeclared work remain high**, which has considerable implications for fiscal revenue, labour conditions and the adequacy of income after retirement. Bulgaria has taken a number of recent measures seek to improve the situation These include **one-day contracts in agriculture**, improved cooperation between fiscal and labour authorities and increased efforts to raise awareness about the negative consequences for employees. Their efficiency will depend on effective implementation. Accelerating the transition to the formal economy is essential for achieving inclusive growth and ensuring fair working conditions for all.

3. Increase the employability of disadvantaged groups by upskilling and strengthening activation measures. Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups. (...) Introduce a regular and transparent revision **scheme for the minimum income and improve its coverage and adequacy.**

(10) The **labour market** has improved but **challenges persist**. Employment rate has reached pre-crisis levels and the unemployment rate is below the Union average. However, the positive labour market developments are not equally benefiting the whole working-age population. The **long-term unemployed, inactive young people, Roma and people living in poorer regions and rural areas** continue to face significant difficulties in entering or re-entering employment. The ageing and shrinking population, combined with an activity rate below the Union average, leads to labour and skills shortages, thus weakening long-term prospects of the economy. A reinforced focus on upskilling and training would therefore be warranted. Labour market participation and employability could be fostered through a mix of effective outreach measures, active labour market policies and social services.

(11) **Inequality of income and access to services (education, healthcare and housing), as well as the risk of poverty or social exclusion remain among the highest in the Union.** In 2016, two-fifths of the population was at risk of poverty or social exclusion while the income of the richest 20 % of households was almost eight times that of the poorest 20 %. **Spending on social protection is low, including on the general minimum income scheme, whose coverage and adequacy are limited**, as well as its impact on reducing poverty and inequality. An objective mechanism to revise the level of benefits is lacking. In spite of recent improvements in the **adequacy of social assistance benefits and minimum pensions**, the social protection system does not provide sufficient levels of support to the most vulnerable or disadvantaged groups, such as Roma, children, the elderly, persons with disabilities and people living in rural areas. The **provision of social services remains weak** and their integration with labour market and other services is incomplete.

(12) The **minimum wage is set without a clear and transparent mechanism** and **the percentage of workers at the minimum wage has increased more than two-fold over the last six years.** The lack of such a mechanism may put at risk the achievement of a proper balance

between the objectives of supporting employment and competitiveness, while safeguarding labour income. In addition, it creates uncertainty that can adversely impact the predictability of business conditions. The Government has tabled proposals for a minimum wage setting mechanism addressing this shortcoming. However, there is no agreement between the social partners on this issue. Also, in its budget forecast, the Government included increases of minimum wage until 2020. In 2018, Bulgaria ratified the International Labour Organisation's Minimum Wage Fixing Convention. This could be a good basis for setting an objective mechanism.

(14) Despite recent measures to modernise the education system, **educational outcomes are low and strongly influenced by socio-economic status**. Children from disadvantaged families, particularly Roma, do not enjoy equal opportunities. **High levels of early school leaving** have negative consequences for future employability and labour market performance. Providing ethnically mixed kindergartens, schools and classes remains a challenge for the provision of quality inclusive mainstream education. Curricular reform seeks to improve educational outcomes and digital skills. However, the **level of digital skills is still among the lowest in the Union** and varies between different socioeconomic groups. Despite recent measures, the **labour market relevance of vocational education and training remains insufficient**. Higher education reform is underway, but addressing skills shortages is a challenge given the unbalanced profiles of graduates by sectors. **Participation in adult learning is very low** in spite of the need for upskilling. In a context of pronounced ageing among teachers, measures to address future shortages have started. Notwithstanding recent improvements, teacher education programmes require further strengthening.

Other relevant information:

(17) The business environment needs further improvement. While a number of reforms have been adopted, their practical implementation is lagging behind. Businesses are still concerned about corruption, institutional shortcomings and insufficient labour supply. **Progress in public administration reform and e-government is slow**. Governance in the public sector could benefit from more transparency, clearer rules and a long-term perspective. In addition, the **role of social dialogue can further evolve**, facilitated, when necessary, by public authorities.(...)

Croatia

(3 out of 4; (early) retirement/pension reform, female workers participation (incl. child care), social protection/assistance benefits, vocational training (incl. work-based learning), HR management in public administration (incl. wages), social dialogue)

2. Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults. Consolidate social benefits and improve their poverty reduction capacity

(8) The Croatian labour market continued to recover in 2017. Still, employment and activity rates remain substantially below the Union average, hampering potential growth. To date, the statutory pensionable age is 62 years for women and 65 years for men. The **convergence and increase of the statutory retirement age is slow**, with both sexes stipulated to reach a pensionable age of 67 only in 2038. In addition, older workers can benefit from **many pathways to early retirement and the pension system includes a number of special pension schemes** providing more favourable conditions for retirement. The care responsibilities of women contribute further to their low labour market participation. The resulting low average duration of working lives implies low current and future pension adequacy and risks of old-age poverty. The announced measures to encourage longer working lives have not yet been implemented.

(10) Despite recent improvements, the share of the population at **risk of poverty or social exclusion remains high**, with marked territorial disparities across counties. The elderly, the low skilled and people with disabilities are particularly affected. **The social protection system displays shortcomings in effectiveness and fairness. Social benefits have a limited poverty reduction capacity.** Lack of coordination across institutions and lower fiscal capacity of poorer local government units leads to an uneven provision of social benefits.

(11) **Croatia performs below Union average in education investment, early childhood education and care, basic skills, tertiary educational attainment and labour market relevance of vocational education and training in education.** Croatia has launched the implementation of several reforms outlined in the strategy on education, science and technology. The reform of school curricula is likely to have a positive impact on the quality of Croatia's education, if it is implemented in full and consistently with the other actions in the strategy. **The labour market relevance of vocational education and training programmes appears limited**, as suggested by the fact that more than half of registered unemployed are vocational education and training graduates. Better coordination between public authorities and employers is needed to improve the identification of skills needs. The adult education system aiming to help inclusion in the labour market is characterized by a large and unevenly distributed number of providers across the country, and learning programmes that are not properly assessed. **Participation in**

adult education and educational programmes offered as part of active labour market policy measures are critically low.

3. Reduce the territorial fragmentation of the public administration, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services.

(12) The territorial fragmentation of Croatia's public administration and the wide distribution of competences across levels of government weigh on the efficiency of public service provision and public expenditure. Many small local units lack adequate financial and administrative capacity to carry out decentralised functions. **Indicators of public administration efficiency show performance below the Union average**, which hinders the design and implementation of public policies and a more efficient use of European Structural and Investment Funds. The planned reduction of the number of local branch offices of the central administration and the streamlining of the system of state agencies have been further postponed. **Lack of coherence in the wage-setting frameworks in the public administration and public services impede equality of treatment and government's control over the public wage bill.** The planned legislation for their harmonisation has been further postponed to mid-2018. (...)

4. Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. (...)

(13) State-owned enterprises maintain their large presence in the economy. Measures to improve their governance have advanced slowly, and they continue to operate at low levels of productivity and profitability. **Adoption of New legislation governing the management and disposal of state assets has been adopted further delayed, which weighs on the advancement of key policy measures aimed at opening up state-owned enterprises to private capital and activation of other assets.**

Other relevant information

(9) Even though the **social dialogue** structure in Croatia is in place, the actual **interaction between the authorities and stakeholders in the policy preparation process is limited** and mostly confined to the provision of written feedback on the Government-proposed measures. In addition, the fragmentation of trade unions limits their overall capacity to engage in social dialogue.

(16) The **anti-corruption** action plan 2017–2018 needs to be fully implemented in order to deliver on the objectives of the anti-corruption strategy 2015–2020. **Several key elements still require improvement**, particularly asset and conflict-of-interest disclosures, **raising awareness of whistle-blowing reporting channels**, and an effective control of risks in

public procurement, which remains vulnerable to corruption due to a large share of in-house contracting by state-owned entities.

Cyprus

(3 out of 5; public sector (wages), ALMPs (young persons (NEETs)), public employment services, vocational training, early school leaving)

1. Adopt key legislative reforms to **improve efficiency in the public sector**, in particular as regards the functioning of the public administration and the governance of state owned entities and local governments.

(8) Despite recent efforts on e-government services, regulatory quality and staff mobility, **inefficiency in the public administration remains a challenge** and has an impact on the business environment. Key legislative proposals aiming to address the issue remain pending. These include draft laws on the reform of the public administration and of local governments. Shortcomings in the governance framework for state-owned entities might facilitate the build-up of public contingent liabilities and hinder investment capacity in key utilities, such as telecoms and energy. **The containment of the public-sector wage bill has been a significant factor in fiscal consolidation in Cyprus.** Yet, the current collective agreement limiting the growth of public sector wages expires in 2018 and a more permanent solution is still lacking.

3. (...) **Integrate and strengthen the supervision of insurance companies and pension funds.**

(13) (...) Uncertainties remain over the sustainability of banks reduction plans, as loan re-defaults and re-restructuring remain high and banks' direct exposure to the property market increases. These factors point to the need for swift implementation of a more comprehensive strategy to accelerate the clean-up of banks' balance sheets, having regard to social consequences for vulnerable groups and carefully designed incentives to strengthen repayment discipline. As part of this strategy, legislative amendments to allow for the effective enforcement of claims and to facilitate the sale of loans appear necessary, including on borrower protection and the introduction of electronic auctions. **In addition, the governance and administrative capacity of insurance and pension-fund supervision remain weak.** The Government intends to table legislative proposals to address this issue in the course of 2018.

5. Complete reforms aimed at **increasing the capacity and effectiveness of the public employment services** and reinforce outreach and **activation support for young people who are not in employment education or training.** Complete the reform of the education and training system, including teacher evaluation and actions to **increase the capacity of vocational education and training.** (...)

(15) Employment is on the rise and **unemployment** is falling fast, although it **remains high among young people** and the long-term unemployed. Efforts to improve the administrative capacity of the public employment services continue. However, providing services to employers, securing

customer categorisation, personalised guidance and activation, including for recipients of guaranteed minimum income, remain a challenge. **The proportion of young people (aged 15-24) not in employment, education, or training is still one of the highest in the Union.** Outreach measures and timely, tailor-made assistance for young people are limited, as confirmed by their low numbers in relevant activation schemes.

(16) The modernisation of the education sector has advanced but important challenges remain. Recent positive developments include a thorough revision of school curricula and the implementation of a new appointment system for teachers. Cyprus' education spending is above the Union average, demonstrating a strong commitment to education, training and life-long learning. However, educational achievements remain poor and **early school leaving**, while well below the Union average, **has increased significantly. Participation in vocational education and training is low**, the reform of the teacher evaluation system is still pending and a high proportion of tertiary graduates continue to work in occupations that do not necessarily require an academic degree.

Other relevant information:

(9) A national **anti-corruption** strategy and action plan were adopted in December 2017. The existing anti-corruption body remains inadequately resourced, but the Government is considering the establishment of a new independent agency. Various legislative initiatives, such as **draft laws on whistle-blower protection**, lobbying and asset declarations, are currently under parliamentary scrutiny and, if adopted, would also help to strengthen the national anti-corruption framework.

Czech Republic

(2 out of 2, ALMPs (in particular improve public employment services and activation of women (incl. via more childcare facilities, reduce parental leave), pension reform (retirement age))

1. Improve the long-term fiscal sustainability, in particular of the **pension system**. (...)

(6) The Czech Republic continues to display medium fiscal sustainability risks in the long term. **While the costs of ageing pose a challenge** for healthcare and long-term care, **changes in the pension system warrant particular attention.** Updated projections of age-related expenditure point to a higher increase than that indicated in the 2015 "Ageing Report". Pension expenditure is expected to rise from 8.2 % of GDP in 2016 to 10.9 % of GDP in 2070. This expected higher increase in pension expenditure mainly reflects the capping of the retirement age at 65 years. In fact, the **alignment of life expectancy with the statutory retirement age is not automatic**; instead, the cap is to be reviewed every five years by the Government, starting in 2019. Since it is left to the Government's discretion, the current pension expenditure projections do not take into account these retirement age reviews. Moreover, **the pension indexation is now more generous, taking into account 50 % of real-**

wage growth rather than the previous 33 % of real-wage growth. The impact of these changes on expenditure amounts to 2 percentage points of GDP in 2070. **Further changes that are currently being discussed, such as an increase in the basic pension amount and higher pensions for older pensioners, also worsen the sustainability indicators. (...)**

2. (...) **Strengthen the capacity of the education system** to deliver quality inclusive education, including by promoting the teaching profession. Foster the **employment of women**, the low-skilled and disabled people, including by improving the **effectiveness of active labour market policies**.

(13) Quality inclusive education and training are of primary importance in view of increasing bottlenecks on the Czech labour market. Education performance continues to be strongly affected by the socioeconomic background of students. Inclusive education measures are still to be fully implemented, in particular for Roma children. Shortages of qualified teachers, combined with demographic projections, indicate that it could become more challenging to recruit and retain ~~teaching staff~~ **teachers**. **The planned new career system for teachers, which would have linked continuing professional development, career and salaries, was not adopted by the Parliament. Teachers' salaries remain low** compared with those of other workers with tertiary education, but further salary increases are envisaged in the next years. The teaching profession therefore remains relatively unattractive for talented young people. Finally, the success of the reform to make education more inclusive (introduced in 2016 with the support of the European Social Fund) will depend on the availability of sufficient and sustainable national funding, further teacher and teaching-assistant training, and raising public awareness of the benefits of inclusive education.

(14) The Czech Republic is experiencing strong labour market performance. Employment has risen steadily over the past six years and unemployment has fallen considerably. **The potential of women, the low-skilled and disabled people remains nonetheless underutilised.** Against the background of labour shortages, there is clear scope for increasing their labour market participation. **Employment and gender pay gaps remain high** despite recent measures that have made parental leave more flexible and increased the number of childcare facilities. The employment rate among women remains well below that of men. Motherhood still has a major impact on labour market participation, linked to the **low availability of affordable childcare, long parental leave entitlements, low use of flexible working arrangements** and the lack of long-term care facilities. In 2016, only 4.7 % of children below the age of three were in formal childcare. Although they make up a small proportion of the population, the employment rate of the low-skilled is well below that of the medium- and high-skilled. Similarly, the employment rate of disabled people is below the Union average, despite the record-low general unemployment rate and shortages in the labour market. This could motivate tapping into the unused potential of the disabled. **Due to limited capacity, public employment services currently fall short in providing jobseekers with personalised, continuous support.** Increasing the outreach and activation capacities of public employment

services, together with effective and well-targeted active labour market policies and individualised services, would help boost the participation of these groups. Upskilling initiatives (also covering digital skills) could improve labour market access.

Denmark

(0 out of 1; but request for more ALMPs (incl. young workers))

(6) Ensuring labour supply in times of demographic changes and addressing the emerging shortages of labour in certain sectors is a condition for sustainable growth in Denmark. **Reforms to increase participation and completion rates in vocational education and training and measures to better develop digital skills levels are likely to increase the supply of skilled workers.** Furthermore, measures to better include marginalised and disadvantaged groups on the labour market would be beneficial in this respect. This applies to young people with low educational attainment, people with reduced work capacity and disabilities and people with a migrant background. The recent job integration measures started off slowly but appear to be improving the situation for **newly arrived refugees**. The **integration of children with a migrant background in the education system remains a key challenge**, resulting in a lower education performance on average compared to other children.

Estonia

(1 out of 2; access to and quality of social services, adequacy of social benefits, gender pay gap, parental leave, social dialogue)

1. (...) Improve the **adequacy of the social safety net**, in particular for older people and people with disabilities. Take measures to **reduce the gender pay gap, including by improving wage transparency in the private sector.**

(8) **Providing a more adequate social safety net supported by better service provision remains a major challenge** for Estonia. Estonia spends less on social protection (around 16 % of GDP) than the Union average (around 28 % of GDP). The impact of social transfers on reducing poverty is improving but still weak and below the Union average. Estonia **still has a high at-risk-of-poverty rate**, particularly for people with disabilities, jobless households and older people, especially those living alone. **Income inequality at 5.6 % in 2016 remains higher than the Union average** (5.2 % in 2016) despite recent improvements. Some steps are being taken to provide adequate family benefits for larger families, which has further reduced relative poverty among children. The level of minimum income benefit was increased, accompanied by incentives to return to work. The payment of an allowance of EUR 115 to persons with low pensions and living alone was the first step in addressing the very high at-risk-of-poverty rate of this group. The at-risk-of-poverty-or-social-exclusion gap between people with disabilities and those without (20.9 % in 2016) was also higher than the Union average

(10.1 %). Financing of long-term care services does not match the needs of the ageing population. The impact of ongoing administrative reform on the delivery of high quality services remains to be seen.

(9) The **gender pay gap remains one of the highest in the Union** at 25.3 % although it is reducing. Work-life balance is being promoted by the recent changes to the parental leave and benefit system. These changes are expected to give women an incentive to return to work earlier and thereby contribute to lowering Estonia's gender pay gap. The changes will be implemented between 2018 and 2020. The **proposal on the second stage of parental leave reform is being discussed. Continued engagement with social partners and strengthening their capacity, in light of very low membership rates, remain important** in this context and beyond. **Amendments to the Gender Equality Act to improve wage transparency have yet to be adopted and, once adopted, will only apply to the public-sector entities.** A tool to analyse wage differences between genders is not expected to be developed before 2019.

Finland

(2 out of 3; social services, social benefits, employment services, wage setting, vocational training))

1. Achieve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted. Ensure the adoption and implementation of the administrative reform to **improve cost-effectiveness and equal access to social and healthcare services.**

(6) Finland is currently in the preventive arm of the Stability and Growth Pact and subject to the debt rule. (...) According to the 2018 Stability Programme, the debt ratio will continue to decrease and reach 56.7 % of GDP in 2021. The macroeconomic scenario underpinning the budgetary projections appears to be broadly plausible. The **main risks to the budgetary projections relate to the possible larger-than-expected upfront costs of the planned social and healthcare services reform.**

(10) Due to an ageing population and a declining workforce, **expenditure on pensions, health and long-term care is projected to increase** from 24.22 % of GDP in 2017 to 27.24 % of GDP by 2030. The administrative reform and the reform of the social and healthcare services, currently under discussion in the Finnish Parliament, aim at reducing expenditure growth in this area. Other objectives would be to ensure equal access to healthcare and reduce waiting times for patients, especially in less favoured or remote areas. The ratio of self-declared unmet medical needs is above the Union average. In particular, people outside the workforce are experiencing difficulties getting the necessary medical care. **A new level of regional public administration, i.e. counties, will take care of Finland's social and healthcare services from 2020.** The reform will pool resources to allow their more effective use at county level. Higher use of digital and electronic services should

also increase productivity. Finally, social and primary healthcare services would be available from both public and private social and health centres. This would give patients more freedom of choice, while competition between service providers is expected to yield cost savings. Achieving these ambitious objectives will also depend on the choices made during the implementation phase of the reform.

2. Improve incentives to accept work and ensure adequate and well-integrated services for the unemployed and the inactive.

(11) At 74 % of the total 20-64 working-age population in 2017, the **employment rate was relatively low in Finland compared with its Nordic peers**. Participation in the labour market was also lower, especially for women, low-skilled men and persons with a migrant background. At around 7.5 % of the total labour force in 2017, the structural unemployment rate was high. For employment growth, and despite recent measures adopted by the Finnish authorities, challenges remain in adopting more incentives to accept work and more active labour market policies.

(12) Inactivity and unemployment traps remain an obstacle to a more extensive use of the labour force. **A significant inactivity trap results from the benefits system and the combination of its different types of allowances**. The **social assistance and housing allowance form a substantial component of this trap**. These and other benefits are phased out very rapidly as income increases, which creates the risk that taking up work might not be sufficiently financially rewarding. The complexity of benefit rules combined with administrative practices is deemed to result in sizeable unemployment traps or 'bureaucratic traps'. Uncertainty surrounding the level of benefits and the time to reinstate them reduces the attractiveness of short-term or part-time work. Finally, despite a recent pick-up in new home construction, the lack of affordable housing in growth centres could be an additional impediment to labour mobility. The ongoing basic income experiment, whose first results are expected in 2019, is likely to provide some information for revising the social security system. **A reform of the parental leave system has been explored to increase the employment rate of women** of childbearing age and to promote gender equality. A real-time income register is currently under preparation and could provide an opportunity to improve the efficiency of public services and level the benefits effectively.

(13) **Wage setting practices are changing and moving towards sectoral and local level bargaining**. Since firms often face very different constraints, this should allow more wage differentiation between firms, **ensuring that real wage increases are in line with productivity growth** while supporting better employment outcomes. Under the most recent wage agreements concluded in late 2017 and early 2018, organised employers have more opportunities to carry out local bargaining. For non-organised employers some obstacles persist. Some first positive results have been observed, as the current status of the recent wage negotiations points

to an outcome with a broadly neutral impact on cost competitiveness. In practice, despite the absence of formal coordination on wage agreements, a Finnish model seems to be emerging, linking pay rises in the non-tradable sector with the increases agreed in the tradable sector.

(14) As activity and employment gradually return to pre-crisis levels, the **lower employability of the unemployed and the inactive is likely to become a major concern** that could slow down recovery of the labour market, thereby undermining the long-term sustainability of Finland's welfare society. The situation requires adequate and integrated activation and rehabilitation services to the unemployed and the inactive. At the same time, the **resources devoted to public employment services, in particular to counselling activities, are below the Union average**. Services for the unemployed, especially for those with lower employment prospects, are dispersed among a number of separate providers. Integration or better coordination would help produce a seamless services chain (a one-stop-shop for the unemployed/inactive). **Continued efforts are needed to ensure the re-entry of the inactive into the labour market, especially those in the 25-49 age group and persons with a migrant background**. The migrant population could partly offset the existing decline in the working-age population, provided that they are well integrated into the labour market and in Finnish society. Finally, labour shortages are increasing, likely reflecting ongoing structural changes in the economy, such as population ageing. This suggests a **need for continued investment in adult learning and vocational training** to enable occupational mobility and reduce skills mismatches.

(15) The government has implemented measures to promote entrepreneurship and start-ups and it has also improved the availability of loans and export guarantees for small and medium-sized enterprises. **Also, the unemployed are now allowed to receive unemployment benefits during the first months when starting a business**. This scheme is most likely to be successful if combined with training and coaching, while its short duration can limit its impact. Also, **some weaknesses remain in the social protection of entrepreneurs and the self-employed and the relative risk of poverty for the self-employed in Finland is high**.

Other relevant information

(7) The 2018 Stability Programme recalls that the **costs related to the exceptional inflow of refugees** increased and that this budgetary impact was significant in 2015-2016. According to the 2017 Stability Programme, the costs were projected to decrease by 0.15 % of GDP in 2017. This figure was not confirmed in the 2018 Stability Programme and has therefore not been taken into account by the Commission. (...)

France

(3 out of 3; pension reform, minimum wage, ALMP (incl. young workers), labour law, vocational training (apprenticeships), tax burden)

1. (...) Progressively **unify the rules of the different pension regimes** to enhance their fairness and sustainability.

(10) At present, 37 different pension schemes co-exist in France. These concern different groups of workers and function according to different sets of rules. Progressively unifying the rules would improve the transparency of the system, increase intergenerational fairness, and facilitate labour mobility. **Harmonising the calculation rules would also contribute to better control public expenditure.** While the pension reforms already adopted are expected to bring down the level of public pension expenditure ratio in the long run, a simpler and more efficient pension system would generate further savings and help mitigate public finance sustainability risks in the medium term. According to a recent study by *La Fondation pour la recherche sur les administrations et les politiques (iFRAP)*, the alignment of different pension schemes in the public and private sectors would bring more than EUR 5 billion of public expenditure savings by 2022.

2. **Pursue the reforms of the vocational education and training system**, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas. **Ensure that minimum wage developments are consistent with job creation and competitiveness.**

(11) The unemployment rate declined from 10.4 % in 2015 to 9.4 % in 2017 and is forecast to decrease further in the coming years, while the employment rate rose to 70.6 % in 2017. However, **labour market conditions for young people, low-skilled workers and people with a migrant background** (both first and second generations) **remain relatively more difficult.** In 2016 2017, only 54.5 55.6 % of non-EU born people (aged 20-64) were in employment, which is 17.5 17.0 percentage points lower than the figure for those born in France. Inhabitants of most deprived areas (*Quartiers de la politique de la ville*), including people with a migrant background, continue to face difficulties on the labour market. Notwithstanding policy action, **the impact of socioeconomic and migrant background on educational performance is comparatively high and hampers labour market integration.** There is also evidence of discriminatory practices in the labour market. Effective active employment support, including language training, intensive job counselling and recruitment support, and firmer action on discriminatory practices, are key to fostering equal opportunities on the labour market.

(12) **The 2016 law on labour, modernising social dialogue and securing professional pathways aims to improve firms' capacity to adjust to economic cycles and reduce the share of workers on temporary contracts.** While more people are being recruited on open-ended contracts, **labour market segmentation remains a challenge** and the transition to more open-ended forms of employment should be

fostered. In this context, it is **important to finalise the implementation of the ongoing ambitious reform programme, which includes the recently adopted reform of the labour law, the planned overhaul of the unemployment benefit system and the reform of the vocational education and training system, including apprenticeships.**

(13) The gradual implementation of **measures to reduce the labour tax wedge have improved France's cost competitiveness since 2013, but accumulated past losses have not yet been fully recovered.** At the average wage, in 2016, France still had one of the highest employers' social contribution rates as a proportion of total labour costs in the Union. Existing policy measures to reduce labour costs are expected to be further consolidated and strengthened as of 2019, with the announced conversion of the tax credit for competitiveness and employment (CICE) into a generalised reduction of social contributions for employers and the introduction of further rebates for lower wages to foster employment of the low-qualified.

(14) Since 2013, the French minimum wage has followed its indexation rule, without any ad hoc hikes. As a result, it has grown more slowly than reference wages (1.23 % in 2017, compared to 1.31 % for average wage), in a context of weak inflation and subdued wage growth. While the minimum wage, as compared with the average wage, is high in international terms, the cost of labour at the minimum wage has been significantly curtailed by reductions of social contributions. Such reductions will be intensified and made permanent as of 2019. **While the indexation of the minimum wage is important to preserve workers' purchasing power, the current mechanism (unique in the Union) might limit wage adjustments to changing conditions, with potential negative consequences for competitiveness.** A group of independent experts assesses the minimum wage annually and provides non-binding opinions on its development. In 2017, the group recommended revising the indexation rule, for example by limiting it to inflation indexation only.

(15) The current initial **vocational education and training system does not sufficiently support labour market integration** in particular because a significant proportion of students is driven towards pathways with limited employment prospects. Moreover, French students in vocational education and training achieve much lower educational outcomes than the Union average, while those in general education perform much better. In this context, **measures to foster apprenticeships**, which are associated with better employment prospects, along with measures to improve school-based results, **are essential to support youth employment** and promote equality of opportunity. At the same time, improving access to continuous training for the low qualified workers and jobseekers and promoting the achievement of higher qualifications, backed by appropriate training guidance, are also important. Reflecting these challenges and in particular the need to improve the governance of the system, ensure labour market relevance, quality and access to training and secure labour market transitions, the Government has presented on 27 April 2018 a draft law reforming the apprenticeship and continuous vocational education and training system. Moreover, the 2018

National Reform Programme confirms the intention to implement a EUR 14 billion investment plan for skills and opens the way for a complementary reform of the school-based initial vocational education.

(16) Overall, the social protection system delivers good results. Income inequalities after transfers are below the Union average and, despite a recent increase, the number of people at risk of poverty and social exclusion remains relatively low. However, **some groups, in particular single-parent families, people not born in the EU and people living in deprived urban areas, face a higher risk of poverty.** Access to adequate housing for people living in poverty remains a matter of concern. Despite recent improvements, social housing shortages remain in some areas.

3. **Simplify the tax system**, by limiting the use of tax expenditures, removing inefficient taxes and reducing taxes on production levied on companies. (...)

(17) Despite ongoing reforms to reduce the tax burden on companies and support productive investment, the French tax system continues to be characterised by a high level of complexity, with tax expenditures, inefficient taxes and taxes on production forming barriers to a well-functioning business environment. The high number of tax expenditures (tax credit, exemptions, tax reductions) puts an additional burden on businesses, and SMEs in particular, in the form of increased compliance costs and uncertainty. It also creates additional control costs for the tax administration. Tax expenditures will increase further in number and in value under the 2018 Budget Law and are set to reach EUR 99.8 billion in 2018 (4.5 4.2 % of GDP) in 2018, as compared with EUR 93 billion in 2017. In addition, around 192 taxes yielding low revenue (less than EUR 150 million a year) have been identified, but only a very limited number have been eliminated since 2014.⁴³ Finally, France has very high taxes on production in the Union⁴⁴ (3.1 % of GDP in 2016) which consist mainly of capital and labour taxes for which companies are liable as a result of engaging in production and regardless of their economic performance

Germany

(2 out of 2, second earners/low income earners, shift tax burden, female workers (incl. childcare), older workers, pension reform, early school leaving)

1. (...) Improve the efficiency and investment friendliness of the tax system. (...)

(11) Despite some improvements in recent years, **Germany's tax system remains inefficient, in particular because it is complex and distorts decision-making, e.g. on investment, financing and labour market participation.** Germany places a relatively strong emphasis on direct taxes

⁴³. Inspection Générale des Finances (2014), *Les taxes à faible rendement*.

⁴⁴. Taxes on production are to be understood as "other taxes on production" according to EUROSTAT (D29 category).

to raise revenues and there is potential to reduce distortive direct taxation or for a shift towards less distortive taxes on property, inheritance and consumption. **The levels of taxes and social contributions on income from employment were the sixth highest in the Union in 2015.** The cost of capital and the effective average corporate tax rate, which differ across regions, are among the highest in the Union (28.2 % as a national aggregate, as compared with a Union average of 20.9 %). Due to the interplay of corporate income tax, local trade tax and the solidarity surcharge, the corporate tax system is complex, involves high tax administration costs and distorts the level and location of investments. In addition, the corporate income tax distorts financing decisions, with a bias towards debt financing. This bias is the seventh highest in the Union. Lowering the capital costs on equity could strengthen private investment and the relatively under-developed venture capital market. Furthermore, loss carry-forward provisions remain relatively strict, limiting the amount to 60 % of taxable income for a given year.

2. Reduce disincentives to work more hours, including the **high tax wedge, in particular for low-wage and second earners.** Take measures to **promote longer working lives.** Create conditions to **promote higher wage growth,** while respecting the role of the social partners. **Improve educational outcomes and skills levels of disadvantaged groups.**

(13) Germany's labour market performance has been very strong. Unemployment fell to a record low of 3.6 % in the fourth quarter of 2017 and employment reached 79.8 %. The level of youth unemployment (6.7 % in 2017) is among the lowest in the Union. **Germany is experiencing increasing shortages of skilled labour, while certain groups' labour market potential remains under-used.** The proportion of people working part-time, particularly women and those with a migrant background and caring responsibilities, is among the highest in the Union. **For women, key factors include disincentives to work longer hours, coupled with a lack of sufficient childcare and all-day school facilities.** Specific tax rules, particularly for second earners and low-wage workers, and the lock-in effects of the mini-job earning threshold of EUR 450 generated further disincentives to work longer hours. **Germany has one of the highest tax wedges on low earners,** most of whom are women. The high rate of women working part-time is accompanied by one of the widest gender gaps in part-time employment in the Union (37.5 % vs Union average of 23.1 %). This contributes to a **very wide gender pay gap** in Germany.

(14) Nominal wage growth remained moderate in 2017, at 2.4 %, despite record low unemployment and high job vacancy rates. This relatively subdued rate is partly due to slow productivity increases in services, low collective bargaining coverage in some sectors and a reduction in structural unemployment. The reaction to the pick-up in inflation was limited, with real wage growth declining from 1.8 % in 2016 to 0.7 % in 2017. **Collective agreements from early 2018 may lead to some wage acceleration; developments in this area are worth monitoring. The proportion of low-wage earners remains high** and there is scope for increases in the number of hours worked

in lower wage deciles. Increased immigration did not prevent wage growth in lower wage segments. The introduction of the statutory general minimum wage in 2015, and its subsequent rise in 2017, increased wages at the bottom of the distribution. On top of wage increases, social partners are focusing on working time flexibility in the current round of wage negotiations.

(15) Germany has a solid social protection system overall. However, **the at-risk of poverty rate for the total population rose steadily from 2005 to until 2015 (16.7%)** before the trend was slightly reversed in 2016. Income inequality has also begun to decline in 2015, showing a modest reduction in the S80/S20 ratio owing to an improvement in the incomes of poorer households. The recent improvement of in-work poverty in 2016 was also modest and only benefitted men.

(16) Germany can **improve the attachment of older workers to the labour market**, which would increase old-age income, boost potential output, help adapt to a tight labour market, and reduce the need for precautionary savings for old age. Fiscal sustainability risks are currently low, due in large part to a relatively high primary surplus. Still, **Germany is expected to have one of the largest increases in pension expenditure in the Union** up to 2070 according to the 2018 Ageing Report. At 17.6 % in 2016, the risk of poverty in old age (i.e. above 65) was above the Union average of 14.7 %. The future deterioration of pension adequacy in the statutory first pillar is expected to increase the risk of poverty in old age, particularly for low-wage earners, people with atypical contracts and those with interruptions in their employment histories. **The gender pension gap is one of the widest in the Union.** At the same time, while the employment rate for workers aged 60-64 (58.4 % in 2017) was among the highest in the Union, the employment rate for workers aged 65-69 was in the middle third of Member States (16.1 %).

(17) **Socio-economic background remains a considerable determinant of educational outcomes and labour market integration.** In science, it contributes to a performance difference of 3 years of schooling between the lowest and highest social quartiles according to the Programme for International Student Assessment in 2015. National data confirm the substantial correlation also for primary education. Particular challenges exist for students with a migrant background. **Compared with native-born students, they are much more likely to underachieve in basic skills and leave school early or drop out of university.** Also the labour market potential of people with a migrant background is not fully used. In 2017, the employment rate among non-Union nationals (aged 20-64) was more than 27 pps. lower than that for German nationals (almost 33 32 percentage points lower in the case of female non-Union nationals). ~~It is a concern for future labour market performance of workers that adult learning is below the EU average and remains a particular challenge~~ The participation of employees in adult learning is a concern for future labour market performance for workers; in particular for the low-skilled adult population of 7.5 million people who lack basic reading and writing skills.

Hungary

(2 out of 3; shift tax burden, low income earners; ALMPs, childcare, social assistance and unemployment benefits, early school leaving, social dialogue)

2. **Continue simplifying the tax system**, in particular by reducing sector specific taxes. Improve the quality and transparency of the decision-making process through effective **social dialogue** and engagement with other stakeholders and by regular, adequate impact assessments. (...)

(12) Measures have been implemented to improve the tax system, but some problems remain. Although decreasing, **the tax wedge on labour, especially for certain low income groups, is still high** in Union comparison. The overall complexity of the tax system, coupled with the continued presence of sector-specific taxes, remains a weakness. Measures against taxpayer's aggressive planning strategies are essential to impede distortions of competition between firms, provide fair treatment of taxpayers and safeguard public finances. Spill-over effects of taxpayer's aggressive planning strategies between Member States call for a coordinated action of national policies to complement Union legislation. Hungary records relatively high capital inflows and outflows through special purpose entities, which are disconnected from the real economy. The absence of withholding taxes on outbound (i.e. from Union residents to third country residents) dividend, interest and royalty payments made by companies based in Hungary may lead to those payments escaping tax altogether, if they are also not subject to tax in the recipient jurisdiction. The Commission takes note that Hungary acknowledges that outbound payment may lead to aggressive tax planning if misused. Based on recent exchanges, the Commission will continue its constructive dialogue to fight against taxpayers aggressive planning strategies.

(11) The Hungarian **social dialogue structures and processes remain underdeveloped and do not allow for a meaningful involvement of social partners in policy design and implementation**. The deficiencies in stakeholders' engagement and the limited transparency have an impact on the evidence base for and quality of policy making, creating uncertainty for investors and slowing down convergence.

3. Unlock labour reserves through **improving the quality of active labour market policies**. Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma, in quality and inclusive mainstream education. **Improve the adequacy and coverage of social assistance and unemployment benefits**.

(9) The overall employment rate has improved significantly and the favourable economic trend provides an opportunity to reintegrate notably unemployed people into the labour market. The **gender employment gap is wide**, especially in the 25-39 age group, which can in part be explained by a **limited supply of good quality childcare**. The level of participation in childcare for children under the age of 3 is well under the Barcelona target and the Union average. Although the **public work scheme** remains the main active labour market policy, the number of participants in it having decreased significantly represents a positive development. Nonetheless, the scheme

remains insufficiently focused and its effectiveness in reintegrating participants into the open labour market continues to be limited considering the labour market situation. Active labour market policies which focus more on up-skilling and reskilling are under-developed.

(10) The **proportion of people at risk of poverty and social exclusion** has decreased to 26.3 % in 2016 but **remains above the Union average**. Children in general are more exposed to poverty than other age groups. The level of minimum income benefits is below 50 % of the poverty threshold for a single household, making it among the lowest in the Union. The **adequacy of unemployment benefits is very low**: the maximum duration of 3 months ranks as the shortest in the Union, and represents only around a quarter of the average time required by job seekers to find employment. In addition, the levels of payment are among the lowest in the Union.

(15) Education outcomes for basic skills are significantly below the Union average, especially for children from disadvantaged socioeconomic background. Pupils are streamed early into different types of schools, with wide gaps in education outcomes and employment paths. Disadvantaged children, including Roma children, tend to be concentrated in vocational secondary schools which are characterised by poorer levels of basic skills and higher dropout rates, and people who leave these schools receive lower wages on average. The **early school leaving rate increased** to 12.4 % on average, and is particularly high among Roma children. These challenges are especially pressing in the context of quality and inclusive education. The shrinking pool of applicants and high drop-out rates in tertiary education will further limit attainment rates at a time when the demand for highly-skilled workforce is growing.

Ireland

(2 out of 3; shift tax burden, pension reform, ALMPs, childcare)

1. (...) Limit the scope and the number of tax expenditures, and **broaden the tax base**. Address the expected increase in age-related expenditure by increasing the cost-effectiveness of the healthcare system and by **pursuing the envisaged pension reforms**.

(11) Long-term fiscal sustainability risks related to the cost of ageing remain. (...) Despite a wide range of reforms to contain public pension expenditure, the **overall pension system deficit is expected to grow significantly in the long term**. A timely implementation of the presented roadmap for pension reform is key to strengthening the fiscal sustainability of the Irish pension system.

2. (...) Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and **affordable quality childcare**. Prioritise the **upskilling of the adult working-age population**, with a focus on digital skills.

(14) Ensuring inclusive growth remains a challenge in Ireland. Unemployment fell to 6.7 % in 2017 but **certain groups are still largely detached from the labour market and socially excluded**. The social protection and taxation systems are very effective in curtailing poverty and inequality, and Ireland has taken measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments. Ireland's **persistent high at-risk-of-poverty-or-social-exclusion rate** is linked to the high proportion of people living in households with low work intensity (almost twice the Union average and highest in the Union – 18.2 % versus 10.5 % in 2016). This is particularly prevalent for single-parent households. Almost three quarters of people not working in Ireland are inactive. Both the overall and child at-risk-of-poverty-or-social-exclusion rates fell slightly in 2016 but remain higher than the Union average. As a result, Ireland needs to complete the implementation of its Action Plan for Jobless Households, including by improving the integrated support to people furthest from the labour market. The supply of social housing requires continued attention to meet ambitious targets and high demand.

(15) **Access to affordable, full-time and quality childcare remains a challenge**. According to the Organisation for Economic Co-operation and Development, childcare costs in Ireland – relative to wages – were in 2015 the highest in the Union for lone parents and the second highest in the Union for couples. The high costs of childcare can act as a barrier to accessing paid employment, particularly in low-income households, including single parents. This has a negative effect on women's employment rate, which stood in 2016 at 65.4 % close to the Union average. A law on the Single Affordable Childcare Scheme is ~~currently being discussed~~ nearing finalisation in Parliament. ~~Implementation is expected in 2018 but~~ delays are already becoming apparent. The quality of childcare provision has also been promoted in particular through initiatives to ensure robust staff qualifications.

(16) The differences between the employment rates of low, medium and highly skilled workers were among the highest in the Union in 2016 and the employment rate of low-skilled labour is 10 percentage points lower than before the economic crisis. As a consequence, and linked to the change in economic activity, skills mismatches and skills shortages are becoming more evident in several areas. This accentuates the need to accelerate upskilling and reskilling policies and measures. Ireland has in particular a **low level of participation in life-long learning among low-skilled people in employment**, which makes them vulnerable to changes in labour demand. Ireland has overall one of the lowest levels of digital skills in the Union, which is in stark contrast to the high proportion of science, technology, engineering and mathematics graduates leaving the Irish higher education system. Ireland also has one of the lowest employment rates of people with disabilities in the Union.

Italy

(2 out of 4; shift tax burden on labour, undeclared work, pension reform, public administration reform, ALMPs (young workers, female workers participation (incl. childcare and second-earners, employment services), social services, vocational training, early school leaving, wage setting)

1. (...) **Shift taxation away from labour**, including by reducing tax expenditure and reforming the outdated cadastral values. Step up efforts to **tackle the shadow economy**, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments. **Reduce the share of old-age pensions** in public spending to create space for other social spending.

(11) Italy's **old-age pension expenditure**, at around 15 % of potential GDP, is now **among the highest in the Union**. Implicit liabilities arising from population ageing were curbed by past pension reforms, improving Italy's long-term sustainability also by gradually adjusting retirement age to life expectancy. However, both the 2017 and the 2018 budgets contained provisions that partially reversed those reforms. Italy has a larger share of population above 65 than the Union average. This is projected to further increase over time, worsening Italy's old-age dependency ratio. Hence, pension expenditure is projected to increase over the medium term. The high share of old-age pensions in public spending also restraints other social spending, including to fight poverty, and growth-enhancing spending items like education, whose share in expenditure has been declining since the early 2000s. While respecting the principles of fairness and proportionality, sizeable savings could be achieved by intervening on the high pension entitlements not matched by contributions.

(12) Italy's tax system weighs heavily on capital and labour, which has adverse effects on economic growth. Despite the recent extension of targeted tax incentives, **the tax burden on the production factors is still among the highest in the Union, discouraging investment and employment. There is room to reduce it in a budgetary neutral way, by shifting towards tax bases less detrimental to growth**, such as property and consumption. The recurrent property tax on first residences was repealed in 2015, including for wealthier households. In addition, property cadastral values are largely outdated, and a reform to align them with current market values is still pending. The number and size of tax expenditures, in particular in the case of the reduced value added tax rates, are particularly high and their streamlining has been further postponed despite being required by national legislation. There is also scope to reduce the burden on compliant firms and households by reducing the complexity of the tax code and increasing the overall level of tax compliance. The extension of mandatory electronic invoicing to all private sector transactions from 2019 is a positive step in this direction. However, legal thresholds for cash payments have been increased, which could discourage the use of electronic payments whose compulsory nature may improve tax compliance. Italy's National Institute of Statistics estimates that the shadow economy amounts to about 12.9 % of GDP in 2015, but no strategic action has been planned to tackle this challenge. **About 15.9 % of total employment is partially or completely undeclared, with peaks nearing 50 % in some sectors.**

4. **Step up implementation of the reform of active labour market policies** to ensure equal access to effective job-search assistance and training. Encourage **labour market participation of women** through a comprehensive strategy, rationalising family support policies and increasing the coverage of **childcare** facilities. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in **vocational-oriented tertiary education**.

(21) Labour market institutions have been substantially reformed in recent years. Labour market conditions continue to improve, as headcount employment increased by ~~1.0~~ 1.2 % in 2017 to over 23 million people, back to pre-crisis levels. The employment rate (age 20-64) rose to over 62 % last year, albeit largely driven by temporary jobs. However, this is still considerably below the Union average. The unemployment rate fell to ~~10.9~~ 11.2 % in 2017 but the total hours worked is still considerably lower than before the recession. Despite improvements, **long-term and youth unemployment remain high**, posing risks to social cohesion and growth. At 20.1 % in 2017, the proportion of young people not in employment, education or training was still among the highest in the Union, with wide and persistent regional differences.

(22) **Bargaining at firm or territorial level remains limited**, also due to the prevalence of small firms in Italy. This may prevent wages from adapting swiftly to local economic conditions. At the end of February 2018, Confindustria and the three major Italian trade unions (Cgil, Cisl and Uil) signed a framework agreement, stressing the role of second-level bargaining, by increasing legal certainty through setting clearer rules for the representation of social partners at negotiations. The tax rebates on productivity related wage increases set by second-level agreements were strengthened in 2017, but their effectiveness is difficult to evaluate. **While the total number of collective agreements is on the rise, only a small share of them is signed by the main trade unions and employers' associations.**

(23) The **reform of active labour market policies outlined by the Jobs Act made little progress** in 2017. Training and re-qualification are particularly important in the light of the increased flexibility in the Italian labour market and the growing share of temporary contracts. Generally binding service standards have not yet been implemented, and **employment services lack staff and adequate monitoring**, although the new Budget law for 2018 allocated additional financial and human resources for Public Employment Services to the regions. Increasing the number of staff and ensuring that they are sufficiently qualified for employment services and social services, is also critical for the correct implementation of the antipoverty scheme introduced in 2018 and for the Youth Guarantee, which aims to provide young people in need with an adequate job or training offer in a timely manner.

(24) The **proportion of women participating in the labour market**, although on the rise, **remains one of the lowest in the Union**. The impact of the recent measures, centred on non-means tested cash payment per child birth, has not been assessed by the Italian authorities. Evidence suggests that these cash transfers may not be effective to increase women's

participation in the labour market. In addition, they are unlikely to increase the birth rate, which has been stagnating at very low levels over the last 20 years. **A comprehensive strategy to reconcile family life and work is missing.** These shortcomings are reflected by the lack of gender balanced design of parental leave, flexible working arrangements and the **insufficient supply of adequate, affordable and quality childcare and care services.**

(25) Introducing measures to raise human capital and skills would help improve employability and meet future labour market needs. The overall quality of schooling in Italy is improving, but wide regional differences persist. **The proportion of students leaving school without a diploma remains above the Union average** particularly among foreign-born students. (30.1 % compared with the Union average of 19.7 %). Implementation of the school reform is broadly on track, and vocational education and training is improving. Tertiary education, severely underfunded with public spending accounting for less than 0.4 % of GDP, is characterised by high drop-out rates and prolonged study periods. As a consequence, educational attainment is one of the lowest in the Union (26.9 % of the population aged 30 to 34). **The participation rate in adult learning programmes is increasing but it still remains among the lowest in the Union,** especially for low-skilled adults. Upskilling and reskilling should be fostered, while employers should be encouraged to provide more learning opportunities for the workforce. The implementation of the comprehensive national 'skills strategy' launched in October 2017 will be crucial.

(26) Unlike the Union trend, the **rate of people at risk of poverty or social exclusion has continued to increase** and at 30 % in 2016 it was well above the Union average. This especially affects children, temporary workers and migrants. **Income inequality is high and rising.** In 2016, the income of the top 20 % of households was 6.3 times higher than that of the poorest 20 %. This ratio is even higher for people of working-age, as the redistributive impact of pensions is excluded. The introduction of a new permanent scheme to tackle poverty (*Reddito di Inclusione*) represents a major step forward in social policies. Designed as a universal transfer for people meeting certain conditions of poverty, the scheme is expected to increase the currently low impact of social benefits on poverty reduction. The scheme is based on solid governance mechanisms and will be subject to systematic evaluation. Importantly, it also envisages a substantial reinforcement of the country's understaffed social services. **Closer cooperation between social services and public employment services, as well as the allocation of sufficient resources, will be crucial** for the smooth implementation of the reform. The scheme incorporates the former unemployment assistance scheme (ASDI), as a first step towards rationalising social spending. (...)

Other relevant information

(15) **Corruption remains a major challenge** for Italy's business environment and public procurement. Italy improved its anti-corruption framework by revising its statute of limitations, **extending the protection of whistle-blowers to private sector workers** and better aligning the offence of corruption among private parties with international standards. While the adopted reform of the statute of limitations does not stop prescription terms after a first-instance conviction, as recommended by the Council of Europe's Group of Countries against Corruption, it may reduce the scope for abusive criminal litigation as a delaying tactic by lawyers at higher instances. As such, it may alleviate a long-standing concern that corruption cases get time-barred after first-instance conviction. Repression of corruption could be improved by increasing the efficiency of criminal justice. In 2014, Italy had the largest number of incoming and pending criminal cases in the Union at second and third instance, also due to one of the highest rates of Cassation appeals. This resulted in one of the longest criminal trial lengths. Incentivising expedited procedures and discouraging abuses of the trial could help make criminal justice and the fight against corruption more effective. Moreover, the National Anti-Corruption Authority has a key role in the implementation of the new anti-corruption framework.

(16) **Increasing the quality of the Italian public administration** would have a positive impact on the business environment and investment and firms' ability to exploit innovation opportunities. The great regional variation in administrations' responsiveness towards firms suggests that entrepreneurs in specific areas face bigger obstacles when doing business. In 2015, a comprehensive enabling law reforming the public administration was adopted, with the potential to improve efficiency for the benefit of the economy. By the end of 2017, the implementation of the reform was completed and now requires enforcement, in particular in regions with the lowest performances. On publicly-owned enterprises, the reform aims to ensure that publicly-owned enterprises operate under the same rules as privately-owned entities. The declared objectives are to: rationalise publicly-owned enterprises via mergers, consolidations of non-profitable ones and privatisations; increase the efficiency of the remaining enterprises; and avoid future proliferation of non-essential publicly-owned enterprises. The enforcement of the new framework is key to achieve these objectives. In addition, local public services are sheltered from competition (in and for the market), impacting on efficiency, quality of services and leading to consumers' dissatisfaction. The 2015 public administration reform also envisaged a new framework reforming the management of local public services. However, in November 2016, the Constitutional Court declared the procedure followed to adopt some legislative decrees unconstitutional, including the one on local public services. As the deadline of the decree expired in November 2016, a new legislative initiative is needed.

Latvia

(3 out of 3; pension reform, low-income earners, reduce tax burden on labour, social assistance benefits, vocational education/training (work-base learning), public administration)

1. (...) **Reduce taxation for low-income earners by shifting it to other sources**, particularly capital and property, and by improving tax compliance.

(9) **Income inequality in Latvia is high.** The ratio of incomes of the richest 20 % of households to that of the poorest 20 % stood at 6.3 in 2017, among the highest in the Union, as the redistribution through the tax-benefit system is lower. Latvia's tax system has been overhauled and personal income tax progressivity increased; however, **the tax wedge on low-wage earners remains relatively high** and discourages formal employment. The tax reform is limited in terms of shifting taxation to sources less detrimental to growth and achieving the stated policy objective of increasing the tax revenue share in GDP. The low share of tax revenue in GDP limits the resources for sustainable delivery of public services and social inclusion. The revenue potential of property and capital taxation is underused relative to other Union countries. Despite some progress in fighting tax evasion, tax compliance remains a serious challenge.

2. **Improve the adequacy of minimum income benefits**, minimum old-age pensions and income support for people with disabilities. **Increase the labour market relevance of vocational education and training**, and foster upskilling of low-skilled workers and jobseekers. (...)

(10) Weaknesses in the social safety net are reflected in the high proportion of people at risk of poverty or social exclusion and indicate challenges on minimum income, pensions and the inclusion of people with disabilities. Poverty rates among people with disabilities and the elderly have been increasing in recent years and are among the highest in the Union. **The minimum income level reform, announced in 2014, has not been implemented** which negatively affects the poorest households. The adequacy of social assistance benefits increased only slightly and remains low. **Minimum old-age pensions have not been increased since 2006.** The share of people facing severe housing deprivation is among the highest in the Union and social housing is scarce.

(11) The labour market is tightening due to adverse demographic developments and emigration. While employment growth is becoming constrained by falling labour supply, employment opportunities vary between regions and skill levels. Curriculum reform in vocational education and training aimed at aligning education with contemporary skills requirements has progressed. However, further efforts are needed to fully implement the reform and **increase participation in both initial and continuous vocational education and training.** The implementation of the new **work-based learning** approach has started, with the involvement of social partners and companies. **However, few students are enrolled in the scheme.** Adult participation in learning has increased only slightly and the involvement of

the unemployed in active labour market measures is lower than in most other Member States. This is of concern in the context of a high unemployment rate among the low-skilled. In a broader context, strengthening social partners' capacity is important to foster their engagement.

3. **Strengthen the efficiency of the public sector**, in particular with regard to local authorities and state-owned enterprises. Strengthen the accountability of public administration by **protecting whistle-blowers**, preventing conflicts of interest and following-up on the results of the ongoing assessment of past insolvency proceedings.

(13) Weaknesses in regulatory quality and low public administration efficiency and effectiveness are detrimental to the business environment. **In 2016 2017 the Government presented an ambitious reform plan for a leaner and more professional public sector, aiming to improve efficiency through reductions in staff and centralisation of support functions, while strengthening performance-based payment and increasing transparency. This plan is however limited to the central administration**, despite the fact that significant efficiency gains could also be achieved at municipality level. State-owned enterprises, which account for a sizeable share of the economy, are coordinated at government level. While companies owned by central government are subject to centralised corporate governance framework, ports and enterprises owned by municipalities remain outside this mechanism.

(14) **Corruption** continues to hamper Latvia's business environment, and the prevention of conflicts of interest remains rigid and formalistic. The **delay in legislating on whistle blower protection is detrimental to the accountability and efficiency of public administration.** (...)

Lithuania

(2 out of 3; pension reform, low-income earners, shifting tax burden away from labour, ALMPs (vocational training, work based learning), social dialogue, social assistance and unemployment benefits)

1. Improve tax compliance and **broaden the tax base** to sources less detrimental to growth. Ensure the long-term **sustainability of the pension system** while addressing the **adequacy of pensions**.

(7) On 11 July 2017, for 2017 the Council recommended Lithuania to remain at its medium-term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic pension reform and of the structural reforms for which a temporary deviation was granted. This is consistent with a maximum nominal growth rate of net primary government expenditure⁷ of 6.4 % in 2018, corresponding to an allowed deterioration in the structural balance by 0.6 % of GDP. Based on the Commission 2018 spring forecast, Lithuania's structural deficit is forecast to stand at 0.7 % of GDP in 2018 and 0.6 % of GDP in 2019. The structural balance is thus forecast to remain above the medium-term budgetary objective in both years. Overall, the Council is of the opinion that Lithuania is projected to comply with the provisions of the Stability and Growth Pact in 2018 and 2019.

(8) Revenues from environmental and recurrent property taxes remain below the Union average. Lithuania has undertaken a reform of its property tax system, which introduces an element of progressivity into the system, and abolished excise duty exemptions for coal and coke used for heating purposes. **However, scope remains to broaden the tax base to sources that are less detrimental to growth.** Although Lithuania has made progress in recent years on improving tax collection, its gap for the value added tax is still among the widest in the Union. Lithuania is taking further steps to combat tax evasion and improve tax compliance, and recently implemented measures are showing positive early results. Further increasing tax compliance would raise budget revenues and contribute to improving the fairness of the tax system.

(9) With the introduction of a new pension indexation formula in 2018, which links pensions to the wage bill growth, the share of public pension expenditure in GDP is projected to stay flat until 2040. This would ensure the fiscal sustainability of the Lithuanian pension system. However, this is largely driven by a decline in the benefit ratio since the total wage bill is projected to increase at a slower pace than wages due to the rapidly shrinking working-age population. This raises **concerns about pension adequacy, which is already among the lowest in the Union.** It is also unclear how this reform will work in practice since the Government is legally obliged to propose measures in the event of a falling replacement ratio. If the replacement ratio were kept unchanged, total pension expenditure as a share of GDP would increase by almost 45 % by the end of the 2040s, putting a strain on public finances. **It is therefore important to clarify legal uncertainties over pension legislation and to ensure the long term fiscal sustainability of the pension system while addressing its low adequacy.**

2. Improve the quality, efficiency and **labour market relevance of education and training**, including adult learning. (...) Improve the design of the tax and benefit system to **reduce poverty and income inequality.**

(10) The labour market is tightening quickly as a result of robust economic growth, but also due to adverse demographic developments and emigration, leading already to skills shortages. Such a situation demands an education and training system able to provide everybody with the relevant skills. While the reforms launched over the past year are a step in the right direction, it is important that Lithuania implements these reforms to improve the outcomes of its education and training system. The financing and accreditation rules in Lithuania's tertiary education are helping to increase the number of people with tertiary education, but at the same time have contributed to concerns about its quality, fragmentation and labour market relevance. The ongoing university consolidation, if complemented with changes to accreditation and financing rules, should help address the current challenges. In addition, persistent demographic pressures have affected the efficiency of the education system and made more urgent the need to provide equitable access to quality and inclusive education. To address the below-average performance of Lithuania's pupils in basic skills, reforms are needed in teachers' initial training, careers and working conditions, complemented by other quality-focused reforms.

(11) The **low participation of adults in learning** in Lithuania indicates that adult learning remains underdeveloped and is not enabling the economy to benefit from skills upgrading, innovation and better integration of the disadvantaged into the labour market (for example older, unemployed or inactive adults). Despite investment in infrastructure, the **content of the vocational education and training curriculum is often outdated**, while alignment with the needs of local and regional labour markets could be more developed. **Work-based learning is still at the initial phase and could be expanded**. Active labour market policy measures contain a larger training offer, but this offer could be enhanced further. The recent reforms and measures taken in this field have not had significant results so far. **In a broader context, strengthening social partners' capacity is important to foster their engagement**.

(13) The **high proportion of people at risk of poverty or social exclusion, together with high income inequality, remain major challenges** for Lithuania that hinder its prospects for economic growth. They also threaten social cohesion and could fuel emigration. Despite continued economic growth, the elderly, people with disabilities, children, single-parent households and the unemployed face the highest risk of poverty and social exclusion. The corrective power of the Lithuanian tax and benefit system is one of the lowest in the Union. While some significant initial steps were taken to fight poverty and income inequality, the country still has a long way to go to converge towards the Union poverty and income inequality averages. The **relatively high tax wedge on low income earners** may limit their incentive to work and increase the risk of poverty and inequalities. Levels of poverty and inequality could be lowered by incentivising labour market participation, in particular among people from vulnerable groups and low income earners, and by increasing the corrective power of the tax and benefit system supported by better collection of taxes. Such measures could also increase social fairness.

Other relevant information

(15) Lithuania made **progress** in strengthening its **corruption** prevention framework **by adopting legislation on** lobbying and **whistle-blower protection for both public- and private-sector workers**. However, implementing the legislation remains a challenge. Corruption in the health sector still raises concerns, despite the commendable results of the government's 'clean hands' programme.

Luxembourg

(1 out of 2; pension reform, (early) retirement, older workers)

1. **Increase the employment rate of older people** by enhancing their employment opportunities and employability while **further limiting early retirement**, with a view to also improving the long-term sustainability of the pension system.

(12) Concerns remain about the long-term sustainability of public finances due to the projected increase in ageing costs. Luxembourg has a high projected increase in the proportion of old-age population that will be dependent by 2070 and, **according to the latest 2016 projections of the General Inspectorate of the Social Security Ministry, the operational balance of the pension system will be running a deficit by 2023.** Nevertheless, past and current surpluses of the pension system have been saved and accumulated reserves would maintain the viability of the system for a further 20 years. According to the 2018 Ageing Report, age-related costs are expected to increase by 13 percentage points of GDP between 2016 and 2070, exceeding the sustainability thresholds and particularly driven by pensions (8.9 percentage points of GDP). Expenditure on long-term care as a proportion of GDP is one of the highest among Member States. In spite of the reform adopted in 2017, it is projected to increase by 3 percentage points from the current level by 2070.

(13) The **employment rate of older people remains particularly low** and further measures are needed to improve their employability and labour market opportunities. This is also important to ensure the long-term sustainability of public finances. **Early retirement schemes** encouraging workers to leave employment **remain widespread**, with 59.2 % of newly attributed pensions being early old-age pensions. A law suppressing one early retirement scheme was passed in December 2017 but its net impact on the average effective retirement age and on expenditure is uncertain as it eases conditions on other early retirement schemes. This poor labour market outcome can also be partly attributed to financial disincentives to work, which are comparatively high for this group. Encouraging the employment of older workers requires a comprehensive strategy including measures to help workers remain in active employment for longer. The 'Age Pact', a draft law submitted to Parliament in April 2014, which aims to encourage firms with more than 150 employees to hire and retain older workers through age management measures, is still pending in Parliament. As regards education, Luxembourg needs to address the strong impact of students' socioeconomic background on their education outcomes. This is also important to respond to the strong demand for highly specialised skills.

Other relevant information

(14) Real estate prices have continued to rise. This may undermine Luxembourg's ability to attract and retain a skilled labour force, a large proportion of which is made up of non-nationals. House price pressures

emerge from a fundamental supply and demand mismatch. (...) Further work is needed to encourage housing investment, by increasing incentives to promote real estate sales, improving administrative procedures to grant building permits and providing affordable social housing. The recently adopted tax reform on capital gains on real estate sales and the **update of the social housing programme is unlikely to increase the house supply**, given the continuous trend towards higher prices. On the demand side, high population and employment growth push prices up. (...)

Malta

(1 out of 2; pension reform (incl. (early) retirement age), female workers participation, ALMPs, early school leaving)

2. Ensure the sustainability of the health care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement.

(7) The long-term sustainability of public finances in Malta remains a challenge. This is entirely driven by the budgetary impact of ageing-related costs, such as healthcare, long-term care and pensions. The **pension system faces the dual challenge of achieving sustainability while ensuring adequate retirement incomes**. The long-term sustainability prospects for pension expenditure have improved, mainly thanks to a more positive assessment of Malta's long-term growth potential. However, the measures introduced in the 2016 budget had only a limited impact on long-term sustainability of the pension system, which therefore remains a significant challenge. In addition, despite the introduction of measures to improve pension adequacy, the **gender coverage gap in pensions remains high**. (...)

Other relevant information

(9) In the context of strong economic growth and reforms supporting female employment and up-skilling of the workforce, Malta's labour market outcomes have further improved. However, **high gender employment gaps and the low labour market participation of women** above the age of thirty and people with disabilities **continue to be a challenge**. The design of paternity leave and parental leave remains relatively weak but is important for gender-balanced caring responsibilities and greater support for women to work. Labour shortages are growing and skills mismatches persist. A substantial share of the Maltese labour force still has low qualifications, while the reliance on foreign labour to address the labour and skills shortages is increasing. The policy initiatives being implemented in the areas of labour market, skills and social inclusion are expected to continue further, but need to be informed by outcome-based monitoring and evaluation.

(10) At 18.6 % in 2017, the **early school leaving rate remains the highest in the Union** and with little improvement compared to the previous year. Malta also has the highest early school leaving rate for people with disabilities,

which is at 50 %, double the Union average. Moreover, learning outcomes are strongly influenced by socioeconomic background, type of school and disability status. The gap in science performance between students from the bottom versus the top performing schools is among the highest in the Union and 1.5 times the average of the Organisation for Economic Cooperation and Development. The share of low achievers in maths, science and reading is the fourth highest in the Union. A comprehensive strategy approach to improve educational quality and reduce inequalities in educational outcomes between social groups and different school types is missing needed.

The Netherlands

(1 out of 2; EPL, pension reform, wage setting)

2. Reduce the incentives to use temporary contracts and self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment.⁴⁴ Create conditions to promote higher wage growth, respecting the role of the social partners. Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.

(10) Despite low unemployment and high job vacancy rates, nominal wage growth was moderate at 1.5 % in 2017. This is below the level that could be expected based on inflation, productivity and unemployment. Moderate wage growth can be partly linked to slow increases in productivity, remaining labour market slack and increased labour market segmentation. In 2017, the Government adopted several fiscal measures, which reduce the tax burden on labour and aim at increasing the net disposable household income of those who work. **Further boosting net disposable household income by creating the conditions to promote wage growth and reforming the second pillar of the pension system to make it more transparent, inter-generationally fairer and more resilient to shocks would support domestic demand** and contribute to euro area rebalancing.

(11) The recent growth in employment can be largely attributed to an increase in the number of people employed on temporary contracts and of the self-employed. **The high and increasing percentage of temporary contracts as well as the rapid increase in self-employment without employees is observed in the context of great differences in applicable labour regulations, labour protection, as well as differences in tax and social security legislation.** Although some measures have been taken and additional ones have recently been announced, some of these factors still create financial incentives for employees to start working as self-employed or favour hiring them under a temporary contract. **In addition, the enforcement of measures to tackle bogus self-employment has been suspended until 2020.** Self-employed are more often underinsured against disability,

44. In a press release regarding the ECOFIN Council meeting of 22 June, the Dutch trade union confederation FNV welcomed these particular recommendations concerning 'flex-workers' and the self-employed, urging the Dutch government to take them seriously and take the necessary measures to implement them (FNV (2018)).

unemployment and old age. This could affect the sustainability of the social security system in the long run.

(12) Despite a labour market that performs well overall, there is **still untapped labour potential**. In particular the **high number of part-time working women and the employment situation of people with a migrant background remain an important challenge**. The employment rate for non-EU-born migrants is 20.6 percentage points lower than for people born in the Netherlands with an even larger gap for non-EU born women.

(13) The rise in recent years in the household saving rate was partly due to higher saving in the second pillar of the pension system (mandatory supplementary private schemes), to which the regulatory environment contributed. An appropriate intra- and intergenerational distribution of costs and risks beyond the adopted rules on indexation and financial buffers (financial assessment framework) would help households to allocate their financial means in more growth-friendly ways. The Government has **confirmed its intention to substantially reform the second pension pillar in order to improve the coverage and to create a more transparent, more flexible and actuarially fairer system**. With respect to fiscal sustainability, the 2018 Ageing Report points to a medium risk to fiscal sustainability in the long term, as long-term care expenditures are projected to increase from 3.5 % to 6.0 % of GDP by 2070.

Other relevant information

(8) A key challenge in addressing high household indebtedness lies in the **housing market**, where the rigidities and distortive incentives that have built up over decades shape the patterns of housing financing and sectoral savings. (...) The **social housing** sector is one of the largest in the Union, but housing is not always occupied by those really in need. High-income households stay in social housing, given that social housing corporations do not increase rents as fast as they legally could. While the Government has announced its intention to support the supply of affordable housing on the private rental market, concrete plans for such support have not been communicated yet.

Poland

(2 out of 3; female worker participation (incl. childcare), ALMP (older workers), EPL, pension reform (incl. retirement age), social dialogue)

2. Take steps to increase labour market participation, including by improving access to **childcare** and by fostering labour market relevant skills, especially through adult learning, and **remove remaining obstacles to more permanent types of employment**. Ensure the sustainability and adequacy of the pension system by taking measures to **increase the effective retirement age** and by reforming the preferential pension schemes.

(9) The performance of the Polish labour market has been strong in recent years and employment rates have continued to increase. However, **the**

participation of some groups in the labour force, especially women, the low-skilled and older people, has remained low in comparison to other Member States. Several recent policy measures have tended to lower the incentive to work, especially for women and older people. The **Polish social protection system provides insufficient incentives to take up work**. While the child benefit has reduced poverty and inequality, it has already had a negative effect on the participation of parents, mostly women, in the labour market as its size and limited means-testing offset work incentives built into other social benefits. Further hampering women's participation in the labour market is the fact that the formal childcare enrolment rate for children under the age of three remains among the lowest in the Union. The limited support made available to people providing long-term care prevents them from entering the labour market. **Lowering the statutory retirement age has encouraged some older workers to exit the labour force**. Migration from non-EU countries is helping to meet the increase in demand for labour.

(10) A complementary route to support both participation in the labour force and the innovative capacity of the economy is to equip pupils and adults with adequate skills and competences that support employment in a rapidly changing labour market. **The rate of adult's participation in education and training is much lower than the Union average**. This, combined with certain weaknesses in digital skills, as well as in literacy and numeracy skills, particularly among adults with below-tertiary education, is hampering their employability. To what extent recently introduced and still planned policy measures, such as changes in the organisation of general education, vocational education and higher education, will have an impact on skill levels is not yet known.

(11) Poland has continued taking **measures to tackle labour market segmentation by limiting the possibility to abuse temporary employment, increasing social security contributions on some non-standard labour contracts and introducing a minimum hourly wage for some of these contracts**. The number and share of permanent contracts has been rising since the end of 2016, however the share of temporary contracts still remains among the highest in the EU. Some further legislative changes relevant for labour market duality might be included in the reformed Labour Code. **Social protection coverage of workers who are self-employed and have certain non-standard contracts emerges as a potential issue, especially from the perspective of adequacy of their future pensions**. Several measures have been introduced since 2015 to improve social protection coverage of the self-employed and those employed with atypical contracts.

(12) The average age of retirement has increased in recent years, reflecting past reforms, such as withdrawing early retirement options and a gradual increase of the statutory retirement age. **A continuation of an increase in the average retirement age is crucial** for medium-term economic growth, and to ensure the adequacy and fiscal sustainability of the pension system. **However, the recent lowering of the statutory retirement age to 60 for women and**

to 65 for men goes in the opposite direction. In contrast, the retirement age of male and female judges of ordinary courts was aligned at 65, which is in line with the request by the Commission. The special social insurance system for farmers, being subsidised to a cost close to 1 % of GDP, is among the reasons for low labour mobility and hidden unemployment in agriculture.

3. (...) Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process.

(15) The fast pace of regulatory change and the **limited use of public and social consultations on a number of key laws are weighing on the quality of legislation and increasing uncertainty for business.** Guaranteeing the rule of law and the independence of the judiciary are also essential in this context. It is recalled that in December 2017, the Commission presented to the Council a reasoned proposal to determine that there is ~~The Commission concluded that the adopted changes to the justice system pose~~ a clear risk of a serious breach by Poland of the rule of law. Legal certainty and trust in the quality and predictability of regulatory, tax and other policies and institutions are important factors that could allow an increase in the investment rate. Solid ex ante and ex post impact assessments and well designed and exercised social and public consultations could help improve the quality of legislation, limit the need for subsequent amendments and in this way increase the predictability of the regulatory environment. This could also help to limit possible negative side effects of new laws in the short term, such as for instance the temporary increase in administrative burdens resulting from a change in tax regulations.

Portugal

(2 out of 3, public administration, pensions, minimum income/wage and social benefits, ALMPs, ELP, early school leaving)

1. (...) Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, in particular by increasing their overall net income and by reducing debt.

(10) Ensuring public debt sustainability hinges on sustainable fiscal consolidation via a structural improvement in public finances, to be achieved through stronger revenue collection and expenditure controls. (...) For sustainable fiscal consolidation, high and rising ageing costs should be addressed. In the medium term, higher ageing-related fiscal risks are expected to relate largely to the costs of financing pensions, while health-related costs will increase pressure in the long-term. **Steps to improve the medium-term sustainability of the pension system**, together with a comprehensive strategy to tackle the health-related costs of ageing, **would help** to address these risks.

2. Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners. **Increase the skills level of the adult population**, including digital literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes. Improve higher education uptake, namely in science and technology fields.

(12) The recovery of the Portuguese labour market continues, in line with strengthened economic performance. The economy added about 150,000 jobs in 2017 and the employment rate (20-64 year olds) increased up to 73.4. % in 2017, back to pre-crisis levels. The unemployment rate dropped considerably and is now below the euro area average. The long-term unemployment rate has also fallen rapidly, although it remains relatively high. Besides ongoing active labour market policies, exemptions on social security and a public employment service model of personalised support for job seekers, Portugal is also planning to implement one-stop shops for employment in 2018. This could play a major role in ensuring wider coverage of activation measures. Poverty and inequality indicators have also improved further. The ‘at-risk-of-poverty or social exclusion’ rate is coming closer to the Union average and the income share of the poorest 20 % has increased since 2015. However, **the level of income inequality is still high. Moreover, the effectiveness of social transfers (excluding pensions) in lifting people out of poverty is low, the adequacy of the minimum income scheme (though improved) remains limited and housing affordability is an increasing challenge for low-income households.**

(13) Despite a significant increase in the number of permanent jobs in 2017, the **proportion of temporary employees remained stable at 22 %, still one of the highest levels in the Union.** In 2017, around 82 % of temporary employees were in this situation involuntarily. While more people are moving from temporary to permanent jobs, temporary contracts remain the norm for unemployed people finding a job. Moreover, the (already wide) **wage gap between temporary and permanent employees grew during the crisis.** Measures to promote the creation of permanent jobs (e.g. *Contrato-Emprego*) and exemptions from social contributions in return for recruiting people belonging to vulnerable groups proved effective but had limited coverage. **Some aspects of employment protection legislation and cumbersome court procedures may still discourage recruitment on open-ended contracts.** However, **no action is currently planned to review the legal framework for dismissals.** The government is planning measures to address labour market segmentation through tripartite discussion with social partners.

(14) The overall skills level of the adult population remains among the lowest in the Union, hampering the country’s innovation potential and competitiveness. This includes digital skills: in 2017, only 50 % of citizens aged 16-74 possessed basic or above basic digital skills (against an Union average of 57 %). Programmes are being rolled out in this regard (notably *Qualifica* and the national digital competences initiative *Incode 2030*), but their effectiveness in upgrading workers’ basic (numeracy, literacy and digital) skills and ultimately raising productivity will depend on the coverage and quality of the training

offered, going beyond the mere recognition of skills. **While evidence suggests that recent minimum wage increases** (amounting to a cumulative rise of 18.3 % since 2014) **have not harmed the employment rate among low-skilled workers, the substantial rise in the number of employees covered**, up to 20.4 % in the third quarter of 2017, **resulted in increasing wage compression**. This threatens to reduce the skills wage premium, in particular between low- and medium skilled workers, thus lowering incentives for the low skilled to invest in education and training. **The government is closely monitoring minimum wage developments together with social partners.**

(15) **Early school leaving remains higher than the Union average**, but it is on a long-term downward trend, partly thanks to measures being implemented to encourage educational success and reduce drop-out rates. Educational outcomes continue to improve, but there are equity concerns as proportions of low achievers differ significantly between the bottom and the top socioeconomic quartiles. Attainment in tertiary education (age 30-34) decreased from 34.6 % in 2016 to 33.9 % in 2017, far below the national target of 40 % by 2020. Despite the high employability of science, engineering, technology, and mathematics graduates, there is low student uptake in these fields.

Romania

(2 out of 3; ALMPs (incl. young people, vocational training), retirement age (women), minimum wage, early school leaving, public administration, social dialogue)

2. **Complete the minimum inclusion income reform.** Improve the functioning of **social dialogue**. Ensure **minimum wage setting based on objective criteria**. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. (...)

(11) The labour market has been tightening due to employment growth along with a reduction of the labour force due to demographic ageing and emigration. Romania has at the same time **substantial unused labour potential, and several groups such as young people, Roma, the long-term unemployed and people with disabilities** have difficulties in accessing the labour market. In the past year, Romania made little progress addressing the country-specific recommendation to strengthen targeted activation policies and integrated public services, focusing on those furthest away from the labour market. Despite increased financial incentives for mobility schemes, **participation in active labour market policies has remained very low**, and the administrative burden has been high. Public work programmes of local interest have done little to provide relevant skills and support transitions into standard employment. There is no case management for the long-term unemployed and recipients of social assistance. Cooperation among public employment services and social and education service providers and external providers respectively has been limited.

(12) The **risk of poverty or social exclusion has been very high**. Families with children, people with disabilities, Roma, and the rural population have been particularly affected. High income inequality persists, also due to the low impact of the tax-benefit system on mitigating market income inequality. The social reference index, which provides a reference when calculating the most important social benefits, has not been updated since 2008. The **minimum inclusion law, scheduled for entry into force in 2018, would have increased the coverage and adequacy of social assistance. However, its entry into force was postponed by more than a year**. The **lower retirement age for women** results in lower pension entitlements, aggravating old-age poverty and the gender employment gap.

(13) The **involvement of social partners in the design and implementation of economic and social reforms has been very limited**. The views of social partners are frequently not taken into account even when they converge. Romania's collective bargaining framework is not conducive to a well-functioning system of industrial relations. **Social dialogue is characterised by a low level of collective bargaining, especially at sectoral level, and low membership of trade unions and employers' organisations**. High representativeness thresholds and the vague definition of sectors are among the key obstacles to more effective social dialogue. Legislative amendments to improve the framework have progressed little so far.

(14) In the past few years, the **minimum wage** has been repeatedly increased in a discretionary manner. Since 2015, the net minimum wage has risen by more than 60 %. In 2017, around 30 % of workers earned the minimum wage, implying a highly compressed wage distribution. **A proposal for an objective mechanism for minimum wage increases has been endorsed by social partners but not been applied by the Government**.

(15) The supply of skills is not keeping up with the needs of the economy. Low attainment levels in basic skills and digital skills have an adverse impact on competitiveness, employment and convergence. Participation in adult learning has been very low. A mechanism to match active labour market policies with the demand for skills is not yet in place, and the capacity to anticipate future skills needs and estimate the expected impact of new technologies is weak. **Vocational education and training remains a second choice option and is not sufficiently aligned with labour market needs** and regional or sectoral specialisation strategies.

(16) The weak performance of the education system contributes to the high inequality of opportunity and Romania's long-run growth prospects. The provision of and access to quality inclusive mainstream education is a challenge, in particular for Roma and children in rural areas. The monitoring methodology to tackle school segregation has yet to be developed. The **rate of early leavers** from education and training is decreasing but **still high**. An early-warning mechanism to identify children at risk of dropping out is being developed, but the focus on quality education is weak. Despite some measures

having been taken, quality assurance in school and higher education is faced with challenges. Tertiary education attainment is very low. Investment in education is relatively low, and disadvantaged schools in particular are lacking appropriate support.

3. Increase the predictability of decision-making by **enforcing** the systematic and effective use of regulatory impact assessment and **stakeholder consultation and involvement in the design and implementation of reforms**. (...) . Strengthen the corporate governance of state owned enterprises.

13) The **involvement of social partners in the design and implementation of economic and social reforms has been very limited**. The views of social partners are frequently not taken into account even when they converge. Romania's collective bargaining framework is not conducive to a well-functioning system of industrial relations. Social dialogue is characterised by a low level of collective bargaining, especially at sectoral level, and low membership of trade unions and employers' organisations. High representativeness thresholds and the vague definition of sectors are among the key obstacles to more effective social dialogue. Legislative amendments to improve the framework have progressed little so far.

(18) Strategic planning, the public consultation process and regulatory impact assessment remain weak in the design, implementation and monitoring of policies. This impairs the quality and predictability of regulation. Furthermore, frequent changes in legislation, such as amendments to the fiscal code, weigh on the business environment. **The involvement of stakeholders in the design and implementation of reforms is weak, and genuine dialogue is rarely applied, although relevant institutional structures are available. The mechanism for addressing stakeholders' opinions in public consultations does not ensure their proper follow-up. A specific recent example is the disregard of a proposal endorsed by social partners for an objective mechanism for increasing the minimum wage, which would have addressed a country-specific recommendation.** No tangible results were achieved on public administration reforms. **The adoption of relevant legislation on human resource management in public administration has been delayed.** The general secretariat of the government has a limited role in the quality control of policy design.

Slovakia

(1 out of 3, ALMPs, female workers participation (incl. childcare), vocational training, social benefits, early school leaving, public administration)

2. **Reinforce activation and upskilling measures**, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. **Foster women's employment**, especially by extending affordable, quality **childcare**. **Improve the quality and inclusiveness of education**, including by increasing the participation of Roma children in mainstream education from early childhood onwards.

(12) Positive developments in the labour market continue, marked by increasing employment and historically low levels of unemployment. Nevertheless, the long-term unemployment rate continues to be one of the highest in the Union, **affecting particularly disadvantaged groups such as low-skilled workers, young people** and marginalised Roma. As a result of the improving labour market conditions, reports of skilled labour shortages in some sectors of the economy have started to appear. Regional disparities in the labour market are pronounced, with higher unemployment concentrated in eastern Slovakia and labour shortages concentrated in the western part of the country. Slovakia has started to implement its action plan on the integration of the long-term unemployed, supported by the European Social Fund. The plan introduces personalised services, social counselling, and a new basic profiling system. However, implementation has not yet yielded **any significant structural changes**. Gaps persist in cooperation with private partners and non-governmental organisations to alleviate caseloads in public employment services, while individualised counselling is at an early stage. In addition, the rough segmentation of the long-term unemployed does not fully serve as a tool for subsequent referral to activation measures. **Training and requalification programmes have been strengthened but are still insufficient and their targeting of the long-term unemployed and disadvantaged groups remains limited**. In addition, **adult participation in learning is still very low and second-chance education for disadvantaged groups is underdeveloped**. The eligibility criteria for **unemployment benefits** are strict and the duration of benefits is short. This results in low coverage of the short-term unemployed receiving unemployment benefits.

(13) The **gender employment gap and gender pay gap are well above the Union average**. The low employment rate of women of childbearing age reflects the fact that long parental leave is rarely taken up by men, accompanied by low take up of flexible working arrangements and **limited affordability and access to childcare** facilities. Particularly for children under the age of three, the enrolment rates in childcare are extremely low.

(14) The education system does not sufficiently contribute to the socioeconomic development of Slovakia, and is underfunded at all levels. The quality of educational outcomes, the participation of Roma in inclusive mainstream education and the effective integration of students from socioeconomically disadvantaged backgrounds in education and training are pressing

challenges. Educational outcomes and the level of basic skills remain weak by international standards and are profoundly impacted by students' socioeconomic background. **Early school leaving is low but increasing** and regional disparities in dropout rates are pronounced. Despite plans to annually increase teacher salaries by 6% until 2020, the teaching profession is still unattractive, in part due to limited initial training and professional development opportunities. The implementation of measures to increase the participation of Roma pupils in inclusive mainstream education is extremely weak due to inadequate financial support and monitoring as well as insufficient training of teachers on intercultural issues.

Other relevant information

(9) Slovakia's public finances still face risks in the long term. (...) The **pension system** has seen a gradual improvement in its long-term sustainability due **primarily** to the automatic increase in the retirement age, which has reduced the projected age-related spending increases in the long term.

(15) **Public administration is still burdened by inefficiency** and bottlenecks caused by poor inter-ministerial cooperation and weak political neutrality of the civil service. Implementation of the Civil Service Act has been slowly taking off, but its impact on improving human resource management remains to be seen. On the management of Union funds, administration capacity and efficiency is still limited and staff turnover remains high, in part linked to the political cycle. This is nevertheless being addressed by strengthening the coordinating role of the Office of the Deputy Prime Minister which acts as a stabilising factor on continuity and institutional expertise in implementing organisations.

Slovenia

(1 out of 2, pensions (incl. (early) retirement age), older workers)

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by **increasing the statutory retirement age and by restricting early retirement**. Increase the employability of low-skilled and **older workers** through lifelong learning and activation measures.

(10) In July 2017, the Economic and Social Council unanimously adopted a document called 'Starting points for the modernisation of the Pension and Disability Insurance System in the Republic of Slovenia'. It outlines **various measures how adequate pensions and a sustainable and transparent pension system could be achieved**. However, a concrete action plan to adopt it is still missing and despite an agreement between social partners and the Government to adopt the reform by 2020, the phase-in period for the reform has not yet been outlined. Challenges remain in: ensuring the long-term sustainability and adequacy of the pension system by **adjusting the statutory pension age and promoting later retirement**; boosting the coverage of the supplementary pension schemes; appropriately addressing changing career paths and reducing old-age poverty risks.

(11) Economic growth continued and labour market and social trends improved further. The rate of people at risk of poverty or social exclusion decreased but remains above the Union average for the elderly. Employment continued to rise and unemployment further decreased. However, there are signs of labour shortages in a number of vocational occupations. Long-term unemployment remains above pre-crisis levels and still represents almost half of all unemployment. **Challenges persist in particular for older workers as their activity and employment rates remain among the lowest in the Union.** Slovenia's society is ageing rapidly which means the working-age population and labour supply are shrinking. In response to this trend, the government has prepared an 'Active Ageing Strategy', but concrete action plans are still lacking.

(12) The ageing population emphasises the **need to increase participation in adult learning** which has been falling since 2010 and is especially low among low-skilled and older workers. Improving skills through lifelong learning would increase the chances of employment, especially for low-skilled and older workers. The employment rate of low-skilled workers improved, but remains below pre-crisis levels and the Union average. Evaluation of active labour market policies shows that most programmes are performing well, however expenditure in this field and the participation rate of unemployed people in the programmes both remain limited. While the 2013 labour market reform clearly helped certain vulnerable groups enter employment, **temporary employment remains an issue.**

Spain

(1 out of 3; ALMPs, employment/social services, EPL, minimum income/social benefits, early school leaving)

2. Ensure that **employment and social services** have the capacity to provide effective support for jobseekers, including through better cooperation with employers. **Foster transitions towards open-ended contracts.** Improve family support and **address coverage gaps in increase the effectiveness of income guarantee schemes**, by **addressing coverage gaps**, simplifying the system of national schemes and reducing disparities in access conditions to regional ones. **Reduce early school leaving** and regional disparities in educational outcomes, in particular by better supporting students and teachers.

(10) Employment has continued to grow at a robust pace in Spain, supported by the effects of past labour market reforms and wage moderation. The unemployment rate continues to fall, but it remains well above the country's pre-crisis levels and ranks among the highest in the Union. This entails considerable untapped skills potential, notably for young unemployed people. The proportion of unemployed people who have been without a job for more than a year is decreasing, but still accounts for ~~nearly half~~ 44.5 % of all unemployed people. Spain adopted a set of policy initiatives to extend the individual support to the long-term unemployed and to help young people enter the labour market and improve their employability, notably by increasing the number of Youth Guarantee beneficiaries. The effectiveness of these measures also depends on the capacity of regional public employment

and social services to deliver personalised support to jobseekers, which is only slowly improving. There is also scope for greater cooperation with employers, notably by increasing the percentage of vacancies handled by the employment services and by better profiling and matching of jobseekers with employers' needs. At the same time, **efforts to improve the coordination between employment and social services, which has seen some progress in 2017, should be maintained.**

(11) **The proportion of employees on temporary contracts is among the highest in the Union, and mostly comprises young and low-skilled workers.** Temporary contracts are often short-term and rarely serve as a stepping stone to a permanent contract. Their widespread use, including in sectors less prone to seasonal or cyclical activity, may impede faster productivity growth and is often associated with lower entitlements to social benefits and higher risks of poverty. While open-ended contracts have increased as a percentage of net employment growth in the last two years, **further action is needed to incentivise transitions from temporary contracts into open-ended ones.** The system of recruitment incentives remains fragmented and does not effectively aim to promote open-ended employment. Spain adopted a plan to reduce the reliance on fixed-term employment in the public sector, but its implementation is just beginning and needs to speed up to meet the 8 % target set for 2019. **Labour inspectorates' greater capacity and effectiveness in fighting the abuse of temporary contracts has resulted in an increased number of them being converted into permanent contracts, but does not seem to discourage employers from continuing to use them extensively.** The tripartite round table set up at the beginning of 2017 to discuss quality of employment has not yet made specific proposals. **The involvement of social partners in policy design has increased recently but there is still room for further improvement.**

(12) Economic growth and job creation are helping to reduce the **share of people at risk of poverty and social exclusion, which nevertheless remains above the Union average**, as well as income inequality. In-work poverty is a concern especially amongst households with members employed on temporary or part-time contracts. The child poverty rate, although declining, remains very high. **The impact of social transfers other than pensions on reducing poverty is below the Union average and decreasing.** Income guarantee schemes are marked by large disparities in access conditions across regions, and by the fragmentation of multiple national schemes that target different groups of jobseekers and are managed by different administrations. As a result, a number of people in need do not receive support. ~~There is still no action plan~~ Further to the recent study assessing the effectiveness of the national and regional income guarantee schemes. The launch of a Universal Social Card system should make the social benefits granted more transparent and facilitate participation in associated activation measures, although it will not directly address the weaknesses of the existing schemes. **The effectiveness of family benefits is also low and coverage is uneven.** The Spanish pension system plays an important

role in maintaining the quality of life of older people, who as a result face a significantly lower risk of poverty than younger generations. Relative to wages, current pensions are among the highest in the Union. Projections in the forthcoming 2018 Ageing Report and Pension Adequacy Report⁴⁶ indicate that the 2011 and 2013 reforms helped ensuring sustainability and relative adequacy of pensions in the long term. However, the increases in pensions and the postponement of the sustainability factor proposed during the adoption process of the draft 2018 budget call into question the commitment to these reforms. At the same time, they do not address the main challenge to income adequacy of future retirees, which is rather related to high unemployment and segmentation in the labour market.

(14) The limited innovation capacity of Spanish firms is also explained by skills mismatches, which negatively affect the long-term potential for productivity growth. Under-qualification and over-qualification at work are widespread in Spain. Despite having improved markedly over the last decade, **early-school-leaving rates are well above the Union average**. Together with educational outcomes, they vary greatly across regions and may affect equality of opportunities. Targeted programmes to address these disparities have so far only had limited effects. The National Social and Political Pact on Education, aimed at an in-depth reform of the education system, is still in the negotiation phase. In the meantime, the professional development of teachers is to be supported by reducing temporary employment contracts and increased resources for their training. At the same time, tertiary graduates in particular face difficulties in finding adequate, stable jobs in the labour market. Greater cooperation between education and business could boost labour market access of young graduates, while providing firms with the skills required to enhance their innovation capacity. In this context, the proposal for a new national digital strategy acknowledges the need to improve digital skills. Challenges relate to the low number of specialists in information and communication technologies, as well as to promoting the role of the education system in advancing digital skills. Retraining workers in digital skills would also allow Spanish companies to remain competitive in an increasingly digitised economy.

Other relevant information

(6) For 2019, should a timely and durable correction of the excessive deficit be achieved, Spain would be subject to the preventive arm of the Stability and Growth Pact and to the transitional debt rule. In view of Spain's general government debt ratio above 60 % of GDP and projected positive output gap of 2.3 % of GDP, nominal net primary government expenditure⁸ should fall by at least 0.3 % in 2019, in line with the structural adjustment of 1.0 % of

46. A footnote 8 refers to : « European Commission (2018), The 2018 Pension Adequacy Report: current and future income adequacy in old age in the EU, Volume I and Volume II Joint Report prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL), Publications Office of the European Union, Luxembourg, 2018.»

GDP stemming from the commonly agreed matrix of requirements under the Stability and Growth Pact. At the same time, there are signs that idle capacity in the economy is underestimated. **In 2019, Spain is still expected to record one of the highest unemployment rates in the Union, which is set to contain wage pressures, especially in the private sector,** and in turn inflation is expected to remain well below 2 %. This points to remaining slack in the labour market. (...)

Sweden

(0 out of 1, integration of (female) migrant workers in labour market)

(7) In 2017 Sweden's economy grew strongly by about 2.4 %, fuelled by robust domestic demand. Investment, driven by housing investment, grew by 6.0 % (year-on-year) in the first three quarters, making a particularly strong contribution. Despite a sharp rise in new construction in recent years, there is still an ongoing supply shortage, particularly of affordable homes around major cities. **Lack of available and affordable housing can also limit labour market mobility and the effective integration of migrants into the labour market and contribute to intergenerational inequality.**

(9) The advanced economy needs highly skilled workers and corresponding labour shortages are emerging in sectors such as construction, education, health, science, engineering and information and communication technologies. In this context, **challenges remain, such as integrating the people with a migrant background, especially women, into the labour market.** The employment rate of non-EU born women is considerably lower than for the overall population. The educational performance gap between pupils from different socioeconomic backgrounds is widening. The integration of newly arrived migrant pupils into the school system warrants close monitoring, as does the growing shortage of teachers.

United Kingdom

(1 out of 3, apprenticeships, childcare, social protection/benefits)

3. **Address skills** and progression needs by setting outcome targets for the **quality and the effectiveness of apprenticeships** and by investing more in upskilling those already in the labour force.

(10) (...) Labour productivity is low and stagnant. Large parts of the economy perform comparatively poorly on the main drivers of productivity – skills, investment and efficient business processes. The United Kingdom's road, rail and aviation networks also have significant and growing capacity pressures.

(11) Although headline labour market figures continue to be positive across most metrics, there are ongoing concerns about the quality of some employment. This is related to issues with skills development, atypical forms of work, earnings, productivity, labour market participation and working-age poverty. There have been significant policy announcements and developments on all of these issues. Coherence in these related policies is paramount. On skills, much

of the focus thus far has been on **apprenticeships** and reforms to technical education. A focus on quality for both could provide a sustainable multiplier effect for the society as well as the economy. The United Kingdom is among those Member States that already meet over two-thirds of the draft criteria in the European Framework for Quality and Effective Apprenticeships, and therefore setting and monitoring quality targets, e.g. via graduate tracking, is feasible. Resources commensurate with those earmarked for apprenticeships and the new T-Levels for school leavers are needed for lifelong learning options, particularly for those trapped in entry-level employment.

Other relevant information

(12) **Social protection and inclusion issues also need attention** going forward. **Childcare reforms are being rolled out, but more provision may be needed**, particularly for children under three. The impact of some welfare reforms and cutbacks are yet to be fully felt, particularly for in-work families.

Annex 2: The social CSRs 2011-2017 EU-wide by year

Table A1 Country-specific recommendations 2011-2012 (social field only)

		AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	MT	NL	PL	SE	SI	SK	UK
Wages	Reviewing wage indexation		●		●					●						●	●						
	Reviewing wage-setting system - align with productivity developments		●	●	●					●		●		●			●	●					
EPL	Adjusting employment protection legislation					●		●				●		●	●							●	
Labour market participation	Enhancing participation of women				●	●				●		●	●						●				
	Enhancing participation of older workers, promoting active ageing, LLL		●	●	●	●						●				●	●					●	
	Reducing tax disincentives for second earners						●							●				●					
Youth employment	Facilitating transition school to work by incentives for companies to hire young people																						
	Facilitating transition school to work through apprenticeships and work-based learning					●		●	●	●	●					●			●			●	●
	Reducing school/education 'drop outs'	●						●		●							●						
Pensions	Explicit link between pensionable age and life expectancy	●	●	●	●	●				●	●					●	●	●	●		●	●	
	Reducing early retirement	●	●	●				●		●	●					●	●	●	●		●	●	
Vulnerable	Ensuring the adequacy and coverage of social protection systems	●							●					●									●
	(Access to) quality social services																						
	Better targeting social assistance			●												●							
Child poverty	Making child support more effective																						
	Access to and quality of childcare services	●				●	●						●	●					●				
Tax	Shift away from tax on labour (incl. attention for low income earners)	●	●			●	●		●	●		●	●										●

Source: Country-specific recommendations 2011-2012; EL, IE, LV, PT and RO did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A2 Country-specific recommendations 2012-2013 (social field only)

		AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	LV	MT	NL	PL	SE	SI	SK
Wages	Reviewing wage indexation		●		●											●		●					
	Reviewing wage-setting system - align with productivity developments		●				●				●	●		●					●			●	●
EPL	Adjusting employment protection legislation							●				●		●	●				●	●	●	●	
Labour market participation	Enhancing participation of women	●				●	●						●	●				●		●			●
	Enhancing participation of older workers, promoting active ageing, LLL	●	●							●		●				●		●	●				●
	Reducing tax disincentives for second earners						●												●				
Youth employment	Facilitating transition school to work by incentives for companies to hire young people									●	●												
	Facilitating transition school to work through apprenticeships and work-based learning							●	●	●		●		●	●	●	●	●		●		●	●
	Reducing school/education 'drop outs'	●					●	●		●			●	●			●						
Pensions	Explicit link between pensionable age and life expectancy	●	●		●					●	●					●	●	●	●	●	●	●	●
	Reducing early retirement	●	●	●		●		●			●						●		●	●	●		●
Vulnerable	Ensuring the adequacy and coverage of social protection systems				●				●														
	Access to quality social services				●																		
	Better targeting social assistance				●				●						●		●						
Child poverty	Making child support more effective									●													
	Facilitating access to childcare services				●																		
Tax	Shift away from labour, with focus on low income earners	●	●			●	●			●		●	●				●						●

Source: Country-specific recommendations 2012-2013; note that EL, IE, PT and RO did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A3 Country-specific recommendations 2013-2014 (social field only)

		AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	LV	MT	NL	PL	RO	SE	SI	SK	UK	
Wages	Reviewing wage indexation		●												●										
	Reviewing wage-setting system - align with productivity developments		●			●				●	●		●		●								●		
EPL	Adjusting employment protection legislation										●			●					●	●					
Labour market participation	Enhancing participation of women	●										●	●				●		●						
	Enhancing participation of older workers, promoting active ageing, LLL	●	●	●	●						●			●	●		●	●	●	●			●		
	Reducing tax disincentives for second earners						●						●					●							
Youth employment	Youth guarantee			●					●	●	●	●	●	●	●				●	●			●	●	
	Facilitating transition school to work by incentives for companies to hire young people																		●	●	●		●	●	
	Facilitating transition school to work through apprenticeships and work-based learning		●								●			●	●	●	●	●	●	●		●		●	
	Reducing school/education 'drop outs'	●					●		●				●					●		●					
Pensions	Explicit link between pensionable age and life expectancy	●	●	●	●			●	●	●	●			●	●			●					●		
	Reducing early retirement	●	●	●	●			●		●				●	●		●		●						
Vulnerable	Ensuring the adequacy and coverage of social protection systems			●									●						●	●				●	
	(Access to) quality social services			●					●															●	
	Better targeting social assistance													●							●			●	
Child poverty	Making child support more effective			●								●													
	Access to and quality of childcare services				●	●						●	●				●		●	●			●	●	
Tax	Shift away from tax on labour (incl. attention for low income earners)	●			●	●					●	●	●		●			●					●	●	

Source: Country-specific recommendations 2013-2014; CY, EL, IE, and PT did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A4 Country-specific recommendations 2014-2015 (social field only)

		AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation		●														●								●		
	Reviewing wage-setting system - align with productivity developments		●			●			●		●	●			●		●				●		●	●		●	
EPL	Adjusting employment protection legislation								●		●	●				●				●	●	●	●			●	
Labour market participation	Enhancing participation of women	●												●	●					●	●	●				●	
	Enhancing participation of older workers, promoting active ageing, LLL	●		●	●				●	●	●					●	●				●			●		●	
	Reducing tax disincentives for second earners	●				●			●	●			●		●		●							●			
Youth employment	Youth guarantee			●					●			●		●	●						●	●				●	
	Facilitating transition school to work by incentives for companies to hire young people						●				●	●	●									●			●		
	Facilitating transition school to work through apprenticeships and work-based learning					●	●	●		●	●	●		●	●	●		●	●		●		●	●		●	●
	Reducing school/education 'drop outs'		●						●															●			
Pensions	Explicit link between pensionable age and life expectancy	●	●	●	●					●		●				●	●										
	Reducing early retirement	●	●	●		●						●				●	●			●		●					
Vulnerable	Ensuring the adequacy and coverage of social protection systems			●		●			●		●	●	●		●	●					●					●	
	(Access to) quality social services							●	●	●																	
	Better targeting social assistance			●								●	●		●	●		●					●	●		●	●
Child poverty	Making child support more effective			●				●						●													
	Access to and quality of childcare services				●	●		●						●	●						●		●			●	●
Tax	Shift away from tax on labour (incl. attention for low income earners)	●	●		●	●				●				●	●		●			●							

Source: Country specific recommendations 2014-2015; CY and EL did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A5 Country-specific recommendations 2015-2016 (social field only)

		AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK	
Wages	Reviewing wage indexation																											
	Reviewing wage-setting system -align with productivity developments		●	●					●	●	●	●			●		●					●	●			●		
EPL	Adjusting Employment Protection Legislation					●					●				●							●						
Labour market participation	Enhancing participation of women	●			●	●		●						●	●		●		●		●					●	●	
	Enhancing participation older workers, promoting active ageing, LLL	●	●	●						●						●	●									●	●	
	Reducing tax disincentives for second/ low income earners				●	●		●					●			●	●	●										
Youth employment	Youth employment / guarantee		●	●	●		●	●	●	●				●	●		●				●	●	●	●		●		
	Facilitating transition education / school to work	●		●	●		●	●	●				●			●			●			●		●				
	Apprenticeships / work-based learning							●								●		●								●	●	
	Reducing school/education "drop outs"			●			●						●		●				●				●					
Pensions	Explicit link between pensionable age and life expectancy	●	●														●		●									
	Reducing early retirement					●				●	●						●											
	Pension reform	●	●		●					●	●	●				●		●	●	●	●	●	●	●	●	●	●	
Vulnerable	Ensuring the adequacy and coverage of social protection systems			●		●		●		●	●	●			●													
	(Access to) quality social services							●	●																			
	Better targeting social assistance							●			●	●	●	●	●	●	●	●				●	●					
Child poverty	Making child support more effective							●																				
	Access to and quality of childcare services	●			●			●						●					●		●		●		●	●	●	
Tax	Shift away from tax on labour (incl. attention for low income earners)	●	●		●	●		●		●		●	●	●	●	●	●	●		●			●					

Source: Country-specific recommendations 2015-2016; CY and EL did not receive specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements).

Table A6 Country-specific recommendations 2016-2017 (social field only)

		AT	BE	BG	CZ	CY	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation																											
	Reviewing wage-setting system -align with productivity developments	•	•	•		•			•		•	•	•						•	•				•	•			
EPL	Adjusting Employment Protection Legislation		•			•				•		•										•	•	•				
Labour market participation	Enhancing participation of women	•			•		•		•							•								•				•
	Enhancing participation older workers, promoting active ageing, LLL		•								•											•					•	
	Reducing tax disincentives for second/ low income earners		•				•		•					•		•												
Youth employment	Youth employment / guarantee			•		•				•		•					•							•				•
	Facilitating transition education / school to work		•	•						•		•		•							•		•					
	Apprenticeships / work-based learning									•		•							•									•
	Reducing school/education "drop outs"	•	•	•					•						•										•			
Pensions	Explicit link between pensionable age and life expectancy	•	•		•													•					•					
	Reducing early retirement						•				•	•	•						•									
	Pension reform	•	•	•							•		•					•	•		•	•	•	•			•	•
Social protection/ assistance	Ensuring the adequacy and coverage of social protection systems										•	•	•															
	(Access to) quality social services			•					•	•									•					•				
	Better targeting social assistance			•										•	•				•									
Child poverty	Making child support more effective				•																							
	Access to and quality of childcare services								•							•	•						•	•			•	•
Tax	Shift away from tax on labour (incl. attention for low income earners)	•	•		•		•		•		•	•	•	•	•	•	•	•	•	•	•	•	•					

Source: Country-specific recommendations 2016-2017; EL did not receive any specific recommendations but was in general recommended to implement its respective Memorandums of Understanding (including any subsequent supplements).

Table A7 Country-specific recommendations 2017-2018 (social field only)

		AT	BE	BG	CZ	CY	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation																											
	Reviewing wage-setting system -align with productivity developments	•	•	•		•	•		•		•	•	•			•			•		•		•	•				
EPL	Adjusting Employment Protection Legislation					•		•		•	•	•										•	•					
Labour market participation	Enhancing participation of women	•			•		•		•												•		•		•			•
	Enhancing participation older workers, promoting active ageing, LLL		•					•			•		•						•		•		•				•	
	Reducing tax disincentives for second/ low income earners		•						•					•		•			•									•
Youth employment	Youth employment / guarantee			•		•		•		•	•					•								•	•			
	Facilitating transition education / school to work		•	•								•									•		•					
	Apprenticeships / work-based learning																			•								•
	Reducing school/education "drop outs"									•		•		•							•		•		•			
Pensions	Explicit link between pensionable age and life expectancy	•			•								•				•	•				•		•				•
	Reducing early retirement												•						•									
	Pension reform	•		•	•		•											•	•	•	•	•	•	•			•	•
Social protection/ assistance	Ensuring the adequacy and coverage of social protection systems			•					•		•	•	•	•					•			•						
	(Access to) quality social services			•					•	•	•														•			
	Better targeting social assistance			•					•	•	•		•	•		•			•									
Child poverty	Making child support more effective														•													
	Access to and quality of childcare services				•		•			•			•		•	•								•				•
Tax	Shift away from tax on labour (incl. attention for low income earners)	•	•									•				•	•	•										

Source: Country-specific recommendations 2017-2018; EL did not receive specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (including any subsequent supplements).

Annex 3: Country-specific recommendations (CSRs) in the social field under the European Semester Cycles 2016, 2017 and 2018¹

AT	CSRs 2016	CSRs 2017	CSRs 2018
Austria	<p>1. (...) Ensure the sustainability of the healthcare system; and of the pension system by linking the statutory pension age to life expectancy. (...)</p>	<p>1. (...) Ensure the sustainability of the healthcare system and of the pension system. (...)</p>	<p>1. (...) Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement. Make public services more efficient, including through aligning financing and spending responsibilities.</p>
	<p>2. Improve the labour market participation of women. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background.</p>	<p>2. Improve the labour market outcomes for women, also through, inter alia, the provision of full-time care services. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. (...)</p>	<p>2. Reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth. Improve labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background. (...)</p>

1. For practical and 'readability' reasons this table has been limited to the CSRs of 2016 to 2018. Readers who would like to consult the texts of comparable earlier recommendations from 2011 to 2015 are advised to consult Annex 3 of Clauwaert (2015) and (2016).

BE	Belgium	CSRs 2016	CSRs 2017	CSRs 2018
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2. (...) Ensure that **wages** can evolve in line with productivity.
(...)

1. (...) **Pursue the envisaged pension reforms** and contain the projected increase in long-term care expenditure. (...)

1. (...) Simplify the **tax system** and remove distortive tax expenditures.
1. (...) **Remove distortive tax expenditures.** (...)

2. Carry out the intended review of the 'Law of 1996' on the **promotion of employment and the safeguarding of competitiveness in consultation with the social partners.** (...) Ensure the **effectiveness of labour market activation policies.** Move forward with education and **vocational training reforms** and provide training support for disadvantaged groups, in particular in particular people from a migrant background.

2. Ensure that the **most disadvantaged groups**, including people with a migrant background, have **equal opportunities to participate in quality education, vocational training, and the labour market.**

2. Remove disincentives to work and **strengthen the effectiveness of active labour market policies**, notably for the **low-skilled, people with a migrant background and older workers.** Pursue the **education and training reforms**, including by fostering equity and increasing the proportion of graduates in science, technology, engineering and mathematics.

1. Achieve an annual fiscal adjustment of 0.5% of GDP towards the medium-term budgetary objective in 2016 and in 2017. Further improve tax collection and take measures to reduce the extent of the informal economy, including **undeclared work**.

1. Further improve tax collection and tax compliance, including through a comprehensive set of measures beyond 2017. Step up enforcement of measures to reduce the extent of the informal economy, in particular **undeclared work**.

1. Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of **the informal economy**. Upgrade the State owned enterprise corporate governance framework in line with international good practices.

2. (...) By the end of 2016, complete the balance-sheet review and stress test of the insurance companies and the review of **private pension funds'** assets. Take the necessary follow-up actions in all three sectors and continue to improve banking and non-banking supervision.

2. Take follow-up measures on the financial sector reviews, in particular concerning reinsurance contracts, group-level oversight, hard-to-value assets and related-party exposures. Improve banking and non-banking supervision through the implementation of comprehensive action plans, in close cooperation with European bodies. (...)

3. **Reinforce and integrate social assistance, including relevant social services, and active labour market policies,** in particular for the long-term unemployed and **young people not in employment, education or training**. Increase the provision of quality education for disadvantaged groups, including Roma. (...) In consultation with social partners establish guidelines and criteria for **setting the minimum wage**. Increase the coverage and adequacy of the **minimum income scheme**.

3. **Improve the targeting of active labour market policies and the integration between employment and social services** for disadvantaged groups. Increase the provision of quality mainstream education, in particular for Roma. (...) In consultation with social partners, **establish a transparent mechanism for setting the minimum wage**. **Improve the coverage and adequacy of the minimum income**.

3. **Increase the employability of disadvantaged groups** by upskilling and strengthening activation measures. **Improve the provision of quality inclusive mainstream education,** particularly for Roma and other disadvantaged groups. (...) Introduce a regular and transparent revision **scheme for the minimum income and improve its coverage and adequacy**.

CY			
Cyprus	CSRs 2016	CSRs 2017	CSRs 2018

1. Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017. By the end of 2016, **adopt a binding mechanism containing the growth rate of the compensation of public employees.** By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments. By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.
-
1. (...) **By end-2017, adopt key legislative reforms aiming to improve efficiency in the public sector,** in particular on the functioning of public administration, governance of State-owned entities and local governments.
2. Adopt key legislative reforms to **improve efficiency in the public sector,** in particular as regards the functioning of the public administration and the governance of state owned entities and local governments.
-
5. **Enhance the capacity of the public employment services** and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. (...)
5. Complete reforms aimed at **increasing the capacity and effectiveness of the public employment services** and reinforce outreach and **activation support for young people who are not in employment education or training.** Complete the reform of the education and training system, including teacher evaluation and actions to **increase the capacity of vocational education and training.** (...)
-
3. (...) **Integrate and strengthen the supervision of insurance companies and pension funds.**

CZ

Czech Republic

CSRs 2016

CSRs 2017

CSRs 2018

3. (...) Remove the obstacles to **greater labour market participation** by under-represented groups, **particularly women**.

2. **Remove obstacles to growth**, in particular by streamlining procedures for granting building permits and further reducing the administrative burden on businesses, by rolling out key e-government services, by improving the quality of R&D and **by fostering employment of underrepresented groups**.

1. (...) **Strengthen the capacity of the education system** to deliver quality inclusive education, including by promoting the teaching profession. Foster the **employment of women**, the low-skilled and disabled people, including by improving the **effectiveness of active labour market policies**.

1. Ensure the **long-term sustainability of public finances, in view of the ageing population**. Increase the effectiveness of public spending, in particular by fighting corruption and inefficient practices in public procurement.

2. Improve the long-term fiscal sustainability, in particular of the **pension system**. (...)

DE	Germany	CSRs 2016	CSRs 2017	CSRs 2018
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3. **Increase incentives for later retirement and reduce disincentives to work for second earners.** Reduce the **high tax wedge for low wage earners** and facilitate the **transition from mini-jobs to standard employment**.

2. **Reduce disincentives to work for second earners** and facilitate transitions to standard employment. Reduce the **high tax wedge for low-wage earners**. Create conditions to promote higher real wage growth, respecting the role of the social partners.

1. (...) Improve the **efficiency and investment friendliness of the tax system**. (...)

2. **Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners.** Take measures to **promote longer working lives**. Create conditions to **promote higher wage growth**, while respecting the role of the social partners. **Improve educational outcomes and skills levels of disadvantaged groups**.

DK			
Denmark	CSRs 2016	CSRs 2017	CSRs 2018

No social CSR adopted

No social CSR adopted

No social CSR adopted

EE	Estonia	CSRs 2016	CSRs 2017	CSRs 2018
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1. **Ensure the provision and accessibility of high quality public services, especially social services**, at local level, inter alia by adopting and implementing the proposed local government reform. Adopt and implement measures to narrow the **gender pay gap**, including those foreseen in the Welfare Plan.

1. (...) Improve the **adequacy of the social safety net**, in particular for older people and people with disabilities. Take measures to **reduce the gender pay gap, including by improving wage transparency in the private sector**.

1. (...) Improve the **adequacy of the social safety net**. Take measures to reduce the **gender pay gap**, in particular by improving wage transparency and **reviewing the parental leave system**.

(3) Take further measures to **improve the labour market relevance of tertiary education**, including by providing incentives for cooperation between universities, firms and research.

2. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

2. Ensure that **employment and social services** have the capacity to provide effective support for jobseekers, including through better cooperation with employers. **Foster transitions towards open-ended contracts**. Improve family support and **address coverage gaps in income guarantee schemes**, by simplifying the system of national schemes and reducing disparities in access conditions to regional ones. **Reduce early school leaving** and regional disparities in educational outcomes, in particular by better supporting students and teachers.

FI	Finland	CSRs 2016	CSRs 2017	CSRs 2018
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1. (...) Ensure timely adoption and implementation of the administrative reform with a view to **better cost-effectiveness of social and healthcare services**.

1. (...) Ensure timely adoption and implementation of the administrative reform **to improve cost-effectiveness of social and healthcare services**.

1. Achieve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted. Ensure the adoption and implementation of the administrative reform to **improve cost-effectiveness and equal access to social and healthcare services**.

2. While respecting the role of social partners, ensure that the **wage setting system** enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. Increase incentives to accept work and **ensure targeted and sufficient active labour market measures**, including for people with a migrant background. Take measures to **reduce regional and skills mismatches**.

2. **Promote the further alignment of wages with productivity** developments, fully respecting the role of social partners. **Take targeted active labour market policy measures** to address employment and social challenges, provide incentives to accept work and promote entrepreneurship.

2. **Improve incentives to accept work and ensure adequate and well-integrated services for the unemployed** and the inactive.

FR France	CSRs 2016	CSRs 2017	CSRs 2018
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- | FR
France | CSRs 2016 | CSRs 2017 | CSRs 2018 |
|--------------|---|--|---|
| | <p>2. Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness. (...)</p> <p>3. Improve the links between the education sector and the labour market, in particular by reforming apprenticeship and vocational training, with emphasis on the low-skilled. By the end of 2016, take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.</p> <p>4. (...) By the end of 2016, further reform the size-related criteria in regulations that impede companies' growth and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.</p> <p>2. (...) Reform the labour law to provide more incentives for employers to hire on open-ended contracts.</p> | <p>2. Consolidate the measures reducing the cost of labour to maximise their efficiency in a budget neutral manner and in order to scale up their effects on employment and investment. Broaden the overall tax base and take further action to implement the planned decrease in the statutory corporate-income rate.</p> <p>3. Improve the access to the labour market for jobseekers, in particular less qualified workers and people with a migrant background, including by revising the system of vocational education and training. Ensure that minimum wage developments are consistent with job creation and competitiveness.</p> <p>4. Further reduce the regulatory burden for firms, including by pursuing the simplification programme. Continue to lift barriers to competition in the services sector, including in business services and regulated professions. Simplify and improve the efficiency of public support schemes for innovation.</p> | <p>1. (...) Progressively unify the rules of the different pension regimes to enhance their fairness and sustainability.</p> <p>3. Simplify the tax system, by limiting the use of tax expenditures, removing inefficient taxes and reducing taxes on production levied on companies. (...)</p> <p>2. Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas. Ensure that minimum wage developments are consistent with job creation and competitiveness.</p> |

GR Greece	CSRs 2016	CSRs 2017	CSRs 2018
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To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

2. By the end of 2016, take measures to **discourage early retirement**, accelerate the **transition to a higher statutory retirement age** and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate **social protection benefits** by reducing special schemes, aligning eligibility criteria, integrating their administration, and focus support on those most in need.

2. Discourage **early retirement**, accelerate the **transition to the higher statutory retirement age**, and align pension provisions for specific categories with the rules of the general scheme. **Improve coordination and transparency of social benefits**.

2. **Discourage early retirement**, accelerate the transition to a **higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme**. Deliver on the reform of the education and training system to **improve its quality and labour market relevance** for both young people and adults. **Consolidate social benefits** and improve their poverty reduction capacity

3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in **public administration** to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, **harmonise the wage-setting frameworks across public services**. Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.

4. Reduce the fragmentation and improve the functional distribution of competencies in **public administration**, while enhancing the efficiency and reducing territorial disparities in the delivery of public services. In consultation with social partners, **harmonise the wage-setting frameworks across the public administration and public services**.

3. **Reduce the territorial fragmentation of the public administration**, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. **In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services**.

4. Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. (...)

3. Improve **adult education**, in particular for older workers, the low-skilled and the long-term unemployed. Accelerate the reform of the education system.

HU Hungary	CSRs 2016	CSRs 2017	CSRs 2018
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2. Further reduce sector-specific taxes and **reduce the tax wedge for low-income earners.** (...)

2. **Complete the reduction of the tax wedge for low-income earners** and simplify the tax structure, in particular by reducing the most distortive sector-specific taxes. (...)

2. **Continue simplifying the tax system**, in particular by reducing sector specific taxes. Improve the quality and transparency of the decision-making process through effective **social dialogue** and engagement with other stakeholders and by regular, adequate impact assessments. (...)

3. Facilitate the transition from the **public works scheme** to the primary labour market and **reinforce other active labour market policies.** Improve the **adequacy and coverage of social assistance and unemployment benefits.** Take measures to improve educational outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education.

3. Better target the **public works scheme** to those furthest away from the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market, including by **reinforcing active labour market policies.** Take measures to improve education outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education. Improve the **adequacy and coverage of social assistance** and the **duration of unemployment benefits.**

3. Unlock labour reserves through **improving the quality of active labour market policies.** Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma, in quality and inclusive mainstream education. **Improve the adequacy and coverage of social assistance and unemployment benefits.**

IE	Ireland	CSRs 2016	CSRs 2017	CSRs 2018
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2. Expand and **accelerate the implementation of activation policies** to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by **tapering the withdrawal of benefits** and supplementary payments. Improve the provision of quality, affordable full-time **childcare**.

2. (...) Enhance social infrastructure, including **social housing and quality childcare**; deliver an integrated package of **activation policies** to increase employment prospects of low-skilled people and to address low work intensity of households.

2. (...) **Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare**. Prioritise the **upskilling of the adult working-age population**, with a focus on digital skills.

1. (...) Limit the scope and the number of tax expenditures, and **broaden the tax base**. Address the expected increase in age-related expenditure by increasing the cost-effectiveness of the healthcare system and by **pursuing the envisaged pension reforms**.

IT	Italy	CSRs 2016	CSRs 2017	CSRs 2018
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4. Implement the **reform of active labour market policies**, in particular by strengthening the **effectiveness of employment services**. Facilitate the take-up of work for **second earners**. Adopt and implement the **national antipoverty strategy** and review and **rationalise social spending**.

4. With the involvement of social partners, **strengthen the collective bargaining framework** to allow collective agreements to better take into account local conditions. **Ensure effective active labour market policies**. Facilitate the take-up of work for **second earners**. **Rationalise social spending** and improve its composition.

4. **Step up implementation of the reform of active labour market policies** to ensure equal access to effective job-search assistance and training. Encourage **labour market participation of women** through a comprehensive strategy, rationalising family support policies and increasing the coverage of **childcare facilities**. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in **vocational-oriented tertiary education**.

1. (...) **Reduce the share of old-age pensions** in public spending to **create space for other social spending**.

1. (...) **Shift the tax burden from the factors of production onto taxes less detrimental to growth** in a budget-neutral way by taking decisive action to reduce the number and scope of tax expenditures, reforming the outdated cadastral system and reintroducing the first residence tax for high-income households. (...)

2. (...) **Complete reforms of public employment** and improve the efficiency of publicly-owned enterprises. (...)

2. Implement the **reform of the public administration** by adopting and implementing all necessary legislative decrees, in particular those reforming publicly owned enterprises, local public services and the **management of human resources**. (...)

1. (...) **Shift taxation away from labour**, including by reducing tax expenditure and reforming the outdated cadastral values. Step up efforts to **tackle the shadow economy**, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments. **Reduce the share of old-age pensions** in public spending to create space for other social spending.

LT	CSRs 2016	CSRs 2017	CSRs 2018
Lithuania	<p>1. Ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the systemic pension reform in 2016 and in 2017. Reduce the tax burden on low-income earners by shifting the tax burden to other sources less detrimental to growth and improve tax compliance, in particular in the area of VAT.</p>	<p>1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic pension reform and of the structural reforms for which a temporary deviation is granted. Improve tax compliance and broaden the tax base to sources that are less detrimental to growth. Take steps to address the medium term fiscal sustainability challenge related to pensions.</p>	<p>1. Improve tax compliance and broaden the tax base to sources less detrimental to growth. Ensure the long-term sustainability of the pension system while addressing the adequacy of pensions.</p>
	<p>2. Strengthen investment in human capital and address skills shortages, by improving the labour market relevance of education, raising the quality of teaching and adult learning. Reinforce the coverage and effectiveness of active labour market policies. Strengthen the role of social dialogue mechanisms. (...) Improve the coverage and adequacy of unemployment benefits and social assistance.</p>	<p>2. Address skills shortages through effective active labour market policy measures and adult learning and improve educational outcomes by rewarding quality in teaching and in higher education. (...) Improve the adequacy of the social safety net.</p>	<p>2. Improve the quality, efficiency and labour market relevance of education and training, including adult learning. (...) Improve the design of the tax and benefit system to reduce poverty and income inequality.</p>

LU Luxembourg	CSRs 2016	CSRs 2017	CSRs 2018
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1. Ensure the long-term sustainability of public pensions by **increasing the effective retirement age**, by limiting **early retirement and increasing incentives to work longer**, and by **aligning the statutory retirement age to changes in life expectancy**.
2. Ensure the long-term **sustainability of the pension system**, limit **early retirement** and increase the employment rate of **older people**.
1. **Increase the employment rate of older people** by enhancing their employment opportunities and employability while **further limiting early retirement**, with a view to also improving the long-term sustainability of the pension system.

1. Ensure that the deviation from the adjustment path towards the medium-term budgetary objective in 2016 and 2017 is limited to the allowance linked to the **systemic pension reform** and the major structural reform in the healthcare sector. **Reduce the tax wedge for low-income earners** by **exploiting a growth-friendly tax shift** towards environmental and property taxes and improving tax compliance.

1. (...) Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Reduce taxation for **low-income earners** by shifting it to other sources that are less detrimental to growth and by improving tax compliance.

1. (...) **Reduce taxation for low-income earners by shifting it to other sources**, particularly capital and property, and by improving tax compliance.

2. Improve the **adequacy of social assistance benefits** and step up measures supporting recipients in finding and retaining work, including through increased coverage of **activation measures**. Speed up the curricula reform in **vocational education**, establish with the involvement of social partners a **regulatory framework for work-based learning** and increase their offer

2. Improve the **adequacy of the social safety net and upskill the labour force** by speeding up the curricula **reform in vocational education**. (...)

2. **Improve the adequacy of minimum income benefits**, minimum old-age pensions and income support for people with disabilities. **Increase the labour market relevance of vocational education and training**, and foster upskilling of low-skilled workers and jobseekers. (...)

3. (...) Strengthen the conflict of interest prevention regime and set up a common **legal framework for all public employees**.(...)

3. Increase efficiency and accountability in the **public sector**, in particular by simplifying administrative procedures and strengthening the conflict of interest prevention regime, including for insolvency administrators.

3. **Strengthen the efficiency of the public sector**, in particular with regard to local authorities and state-owned enterprises. Strengthen the accountability of public administration by **protecting whistle-blowers**, preventing conflicts of interest and following-up on the results of the ongoing assessment of past insolvency proceedings.

MT			
Malta	CSRs 2016	CSRs 2017	CSRs 2018

1. (...) Step up measures to ensure the long-term **sustainability of public finances**.
 1. Expand the scope of the ongoing spending reviews to the broader **public sector** and introduce performance-based public spending.
 2. **Ensure the sustainability of the health care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement.**
2. Take measures to strengthen labour supply, notably through increased participation of low-skilled persons in **lifelong learning**.

3. Take measures to make the second pillar of the **pension system** more transparent, inter-generationally fairer and more resilient to shocks. Take measures to reduce the remaining distortions in the **housing market** and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.

2. (...) Based on the broad preparatory process already launched, **make the second pillar of the pension system more transparent**, inter-generationally fairer and more resilient to shocks. **Create conditions to promote higher real wage growth**, respecting the role of the social partners.

2. **Reduce the incentives to use temporary contracts and self-employed without employees**, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to **promote higher wage growth**, respecting the role of the social partners. Ensure that the **second pillar of the pension system** is more transparent, inter-generationally fairer and more resilient to shocks.

2. Tackle **remaining barriers to hiring staff on permanent contracts and facilitate the transition from temporary to permanent contracts**. Address the high increase in self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection.

2. Tackle **remaining barriers to hiring staff on permanent contracts**. Address the high increase in the self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection. (...) **Create conditions to promote higher real wage growth**, respecting the role of the social partners.

2. **Reduce the incentives to use temporary contracts and self-employed without employees**, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to **promote higher wage growth**, respecting the role of the social partners. Ensure that the **second pillar of the pension system** is more transparent, inter-generationally fairer and more resilient to shocks.

2. Ensure the sustainability and adequacy of the **pension system** and increase participation in the labour market, by starting to reform the preferential pension arrangements, (...)

2. (...) Ensure the sustainability and adequacy of the **pension system** by taking measures to **increase the effective retirement age** and by starting to reform the preferential pension arrangements.

2. Take steps to increase labour market participation, including by improving access to **childcare** and by fostering labour market relevant skills, especially through adult learning, and **remove remaining obstacles to more permanent types of employment. Ensure the sustainability and adequacy of the pension system** by taking measures to **increase the effective retirement age** and by reforming the preferential pension schemes.

2. (...) Ensure the sustainability and adequacy of the pension system and increase participation in the labour market, by starting to reform the preferential pension arrangements, **removing obstacles to more permanent types of employment and improving the labour market-relevance of education and training.**

2. Take steps to increase **labour market participation, in particular for women, the low-qualified and older people**, including by fostering adequate skills and **removing obstacles to more permanent types of employment. Ensure the sustainability and adequacy of the pension system** by taking measures to **increase the effective retirement age** and by starting to reform the preferential pension arrangements.

2. Take steps to increase labour market participation, including by improving access to **childcare** and by fostering labour market relevant skills, especially through adult learning, and **remove remaining obstacles to more permanent types of employment. Ensure the sustainability and adequacy of the pension system** by taking measures to **increase the effective retirement age** and by reforming the preferential pension schemes.

3. Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions. **Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process.**

PT	Portugal	CSRs 2016	CSRs 2017	CSRs 2018
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- | | | |
|---|---|---|
| <p>1. (...) Conduct, by February 2017, a comprehensive expenditure review at all levels of public administration and strengthen expenditure control, cost effectiveness and adequate budgeting. (...) Reduce the reliance of the pension system on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.</p> | <p>1. (...) Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and ensure the sustainability of the pension system. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises' overall net income and decreasing the burden on the State budget.</p> | <p>1. (...) Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, in particular by increasing their overall net income and by reducing debt.</p> |
| <p>2. In consultation with social partners, ensure that minimum wages are consistent with the objectives of promoting employment and competitiveness across sectors</p> | <p>2. (...) Ensure the effective activation of the long-term unemployed. Together with social partners, ensure that minimum wage developments do not harm employment of the low-skilled.</p> | |
| <p>3. Ensure the effective activation of the long term unemployed and improve the coordination between employment and social services. Strengthen incentives for firms to hire through permanent contracts.</p> | <p>2. Promote hiring on open-ended contracts, including by reviewing the legal framework. Ensure the effective activation of the long-term unemployed. (...)</p> | <p>2. Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners. Increase the skills level of the adult population, including digital literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes. Improve higher education uptake, namely in science and technology fields.</p> |

2. (...) Adopt the **equalisation of the pension age for men and women**.

1. In 2017, ensure compliance with the Council Recommendation of 16 June 2017 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2018, pursue a substantial fiscal effort in line with the requirements of the preventive arm of the Stability and Growth Pact. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. **Fight undeclared work**, including by ensuring the systematic use of integrated controls.

2. Strengthen the **National Employment Agency's services** to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered **young people**. Establish, in consultation with social partners, **objective criteria for setting the minimum wage**. Take action to prevent **early school leaving** and increase the provision of quality education, in particular among Roma. (...).

2. **Strengthen targeted activation policies and integrated public services**, focusing on those furthest away from the labour market. Adopt legislation **equalising the pension age for men and women**. Establish a **transparent mechanism for minimum wage-setting**, in consultation with social partners. Improve access to quality mainstream education, in particular for Roma and children in rural areas. (...)

2. **Complete the minimum inclusion income reform**. Improve the functioning of **social dialogue**. Ensure **minimum wage setting based on objective criteria**. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. (...)

3. (...) Strengthen the independence and transparency of **human resources management in the public administration**. (...) Strengthen corporate governance of state-owned enterprises.

3. Adopt legislation to ensure a professional and independent **civil service**, applying objective criteria. Strengthen project prioritisation and preparation in public investment. (...).

3. Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and **stakeholder consultation and involvement in the design and implementation of reforms**. Improve the transparency and efficiency of public procurement. **Strengthen the corporate governance of state owned enterprises**.

SE	CSRs 2016	CSRs 2017	CSRs 2018
Sweden			

No social CSRs adopted.

No social CSRs adopted.

No social CSRs adopted.

SI	Slovenia	CSRs 2016	CSRs 2017	CSRs 2018
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1. (...) By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the **pension system**.

1. (...) Adopt the necessary measures to ensure the long-term sustainability and adequacy of the **pension system**.

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by **increasing the statutory retirement age and by restricting early retirement**. Increase the employability of low-skilled and **older workers** through lifelong learning and activation measures.

2. In consultation with social partners, increase the employability of low-skilled and **older workers**, including through targeted lifelong learning and activation measures.

2. Intensify efforts to increase the **employability of low-skilled and older workers**, particularly through targeted lifelong learning and activation measures.

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by **increasing the statutory retirement age and by restricting early retirement**. Increase the employability of low-skilled and **older workers** through lifelong learning and activation measures.

4. Take measures to **modernise public administration** and reduce the administrative burden on business. Improve the governance and the performance of state-owned enterprises.

SK

Slovakia

CSRs 2016

CSRs 2017

CSRs 2018

2. **Improve activation measures** for the long-term unemployed and other disadvantaged groups, including individualised services and targeted training. Facilitate the **employment of women**, in particular by extending the provision of affordable, quality **childcare**. **Improve educational outcomes** by making the teaching profession more attractive and by increasing the participation of Roma children from early childhood in mainstream education.

2. **Improve activation measures** for disadvantaged groups, including by implementing the action plan for the long-term unemployed and by providing individualised services and targeted training. **Enhance employment opportunities for women**, especially by extending affordable, quality **childcare**. **Improve the quality of education** and increase the participation of Roma in inclusive mainstream education.

2. **Reinforce activation and upskilling measures**, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. **Foster women's employment, especially by extending affordable, quality childcare**. **Improve the quality and inclusiveness of education**, including by increasing the participation of Roma children in mainstream education from early childhood onwards.

3. (...) Improve the transparency, quality and effectiveness of **human resources management in public administration**, in particular by adopting a new civil service act, and the effectiveness of the justice system. Adopt a comprehensive plan to address administrative and regulatory barriers for businesses.

UK United Kingdom	CSRs 2016	CSRs 2017	CSRs 2018

3. **Address skills mismatches** and provide for skills progression, including by strengthening the **quality of apprenticeships**. Further improve the availability of affordable, high-quality, full-time **childcare**.

3. **Address skills mismatches** and provide for skills progression, including by continuing to strengthen the **quality of apprenticeships** and providing for other funded “further education” progression routes.

2. **Address skills and progression needs** by setting outcome targets for the **quality and the effectiveness of apprenticeships** and by investing more in upskilling those already in the labour force.

Source: Country-specific recommendations 2016-2017, 2017-2018 and 2018-2019; emphasis added by the author.

Annex 4: Country specific recommendations (CSRs) in the social field under the European Semester 2018 – Commission versus Council versions

ES

Spain

CSRs 2018
Commission proposals

CSRs 2018
Council Recommendations

2. Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts. Improve family support and address coverage gaps in income guarantee schemes, by simplifying the system of national schemes and reducing disparities in access conditions to regional ones. Reduce early school leaving and regional disparities in educational outcomes, in particular by better supporting students and teachers.

2. Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts. Improve family support and ~~address coverage gaps in~~ **increase the effectiveness of** income guarantee schemes, **by addressing coverage gaps**, simplifying the system of national schemes and reducing disparities in access conditions to regional ones. Reduce early school leaving and regional disparities in educational outcomes, in particular by better supporting students and teachers.

Source: Country-specific recommendations 2018-2019.

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